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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

#### FINANCIAL HIGHLIGHTS

		<b>Unaudited</b>	
		<b>Six months ended 31 August</b>	
		<b>2021</b>	<b>2020</b>
Revenue	RMB million	<b>15,573.4</b>	15,769.5
Gross profit	RMB million	<b>6,923.5</b>	6,565.5
Operating profit	RMB million	<b>2,059.7</b>	1,908.8
Profit attributable to the Company's equity holders	RMB million	<b>1,430.8</b>	1,309.1
Gross profit margin	%	<b>44.5</b>	41.6
Operating profit margin	%	<b>13.2</b>	12.1
Profit margin attributable to the Company's equity holders	%	<b>9.2</b>	8.3
Earnings per share – basic and diluted	RMB cents	<b>23.07</b>	21.11
Dividend per share			
- interim	RMB cents	<b>13.00</b>	12.00
- special	RMB cents	<b>N/A</b>	40.00
Average trade receivables turnover period	days	<b>19.4</b>	18.4
Average trade payables turnover period	days	<b>21.2</b>	22.0
Average inventory turnover period	days	<b>147.8</b>	132.4
		<b>Unaudited</b>	<b>Audited</b>
		<b>As at 31 August</b>	<b>As at 28 February</b>
		<b>2021</b>	<b>2021</b>
Gearing ratio	%	<b>Net cash</b>	Net cash
Current ratio	times	<b>2.2</b>	1.9

## INTERIM RESULTS

The board of directors (the “Board” or “Directors”) of Topsports International Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 31 August 2021, together with comparative information for the same period of 2020, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 AUGUST 2021

		<b>Unaudited</b>	
		<b>Six months ended 31 August</b>	
		<b>2021</b>	<b>2020</b>
	Note	RMB million	RMB million
<b>Revenue</b>	4	<b>15,573.4</b>	15,769.5
Cost of sales	6	<b>(8,649.9)</b>	(9,204.0)
<b>Gross profit</b>		<b>6,923.5</b>	6,565.5
Selling and distribution expenses	6	<b>(4,542.5)</b>	(4,207.4)
General and administrative expenses	6	<b>(634.6)</b>	(606.1)
Reversal of/(provision for) impairment of trade receivables		<b>3.0</b>	(24.3)
Other income	5	<b>310.3</b>	181.1
<b>Operating profit</b>		<b>2,059.7</b>	1,908.8
Finance income		<b>73.1</b>	83.8
Finance costs		<b>(110.8)</b>	(138.5)
Finance costs, net	7	<b>(37.7)</b>	(54.7)
<b>Profit before income tax</b>		<b>2,022.0</b>	1,854.1
Income tax expense	8	<b>(591.2)</b>	(545.0)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>1,430.8</b>	1,309.1
		<b>RMB cents</b>	<b>RMB cents</b>
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>			
Basic and diluted earnings per share	9	<b>23.07</b>	21.11

**CONDENSED CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME**  
FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB million</b>	<b>RMB million</b>
<b>Profit for the period attributable to equity holders of the Company</b>	<b>1,430.8</b>	1,309.1
<b>Other comprehensive (loss)/income</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences	(25.2)	34.8
	<hr/>	<hr/>
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>1,405.6</b>	1,343.9
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# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2021

		<b>Unaudited</b>	Audited
		<b>As at</b>	As at
		<b>31 August</b>	28 February
		<b>2021</b>	2021
	Note	<b>RMB million</b>	RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>921.8</b>	1,019.5
Right-of-use assets		<b>3,225.4</b>	3,624.6
Intangible assets		<b>1,094.2</b>	1,089.6
Long-term deposits, prepayments and other receivables		<b>265.5</b>	266.4
Long-term pledged bank deposits		<b>1,000.0</b>	1,000.0
Deferred income tax assets		<b>307.1</b>	266.0
		<b>6,814.0</b>	7,266.1
<b>Current assets</b>			
Inventories	11	<b>7,680.4</b>	6,211.3
Trade receivables	12	<b>1,102.3</b>	2,177.3
Deposits, prepayments and other receivables		<b>1,109.9</b>	822.9
Other bank deposits		<b>50.0</b>	-
Bank balances and cash		<b>1,068.0</b>	1,228.8
		<b>11,010.6</b>	10,440.3
<b>Total assets</b>		<b>17,824.6</b>	17,706.4

# CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2021

	Note	Unaudited As at 31 August 2021 RMB million	Audited As at 28 February 2021 RMB million
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		2,077.3	2,329.2
Deferred income tax liabilities		319.6	245.6
		<u>2,396.9</u>	<u>2,574.8</u>
<b>Current liabilities</b>			
Trade payables	13	1,551.7	445.4
Other payables, accruals and other liabilities		1,025.3	1,516.1
Short-term borrowings		833.8	1,337.2
Lease liabilities		1,037.8	1,319.9
Current income tax liabilities		611.8	807.2
		<u>5,060.4</u>	<u>5,425.8</u>
<b>Total liabilities</b>		<u>7,457.3</u>	<u>8,000.6</u>
<b>Net assets</b>		<u>10,367.3</u>	<u>9,705.8</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		-	-
Other reserves		4,294.2	5,039.7
Retained earnings		6,073.1	4,666.1
<b>Total equity</b>		<u>10,367.3</u>	<u>9,705.8</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
FOR THE SIX MONTHS ENDED 31 AUGUST 2021

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB million</b>	<b>RMB million</b>
<b>Cash flows from operating activities</b>		
Net cash generated from operations	<b>3,325.4</b>	2,673.8
Income tax paid	<b>(753.7)</b>	(692.5)
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>2,571.7</b>	1,981.3
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Payments for purchases of property, plant and equipment and intangible assets	<b>(277.9)</b>	(238.5)
Proceeds from disposals of property, plant and equipment	<b>2.7</b>	4.2
Payments for acquisition of a business	<b>-</b>	(0.5)
Placement of long-term bank deposits	<b>-</b>	(1,000.0)
Placement of other bank deposits	<b>(1,899.6)</b>	(460.0)
Withdrawal of pledged term deposits under the cross-border cash pooling arrangement	<b>-</b>	2,031.2
Withdrawal of other bank deposits	<b>1,849.6</b>	-
Interest received	<b>28.1</b>	57.1
	<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>	<b>(297.1)</b>	393.5
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from drawing as borrowings under the cross-border cash pooling arrangement	<b>-</b>	460.0
Repayment of drawing as borrowings under the cross-border cash pooling arrangement	<b>-</b>	(1,000.0)
Proceeds from bank borrowings	<b>3,203.8</b>	1,000.0
Repayments of bank borrowings	<b>(3,707.2)</b>	(400.0)
Payments for lease liabilities (including interest)	<b>(1,176.0)</b>	(868.8)
Interest paid for bank borrowings	<b>(11.9)</b>	(54.7)
Dividends paid	<b>(744.1)</b>	(2,069.4)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(2,435.4)</b>	(2,932.9)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(160.8)</b>	(558.1)
Cash and cash equivalents at beginning of the period	<b>1,228.8</b>	2,823.9
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>1,068.0</b>	2,265.8
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# 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 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. The address of the Company’s registered office is P.O. Box 309, Umland House, Grand Cayman KY1-1104, Cayman Islands.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 October 2019. As at 31 August 2021, no entity holds more than 50% equity interest in the Company.

The condensed consolidated interim financial information for the six months ended 31 August 2021 is presented in Renminbi (“RMB”) and all values are rounded to the nearest 0.1 million (“RMB0.1 million”) except when otherwise indicated.

The condensed consolidated interim financial information for the six months ended 31 August 2021 is unaudited and has been reviewed by the audit committee and external auditor of the Company. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 28 October 2021.

## 2 Basis of preparation and accounting policies

The condensed consolidated interim financial information for the six months ended 31 August 2021 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for the year ended 28 February 2021, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 28 February 2021, except as mentioned below.

### (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 2021:

- Interest Rate Benchmark Reform – Phase 2 Amendments to IAS 39, IFRS 4, IFRS 7, IFRS 9 and IFRS 16

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

## 2 Basis of preparation and accounting policies (Continued)

### (a) New and amended standards adopted by the Group (Continued)

The Group has early adopted 2021 Amendment to IFRS 16 - COVID-19-Related Rent Concessions beyond 30 June 2021 retrospectively from 1 March 2021. 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 2022; 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 RMB14.2 million for the six months ended 31 August 2021 have been accounted these as negative variable lease payments and recognised in selling and distribution expenses in the condensed consolidation statement of profit or loss, 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 2021.

### (b) New standards and amendments to standards that have been issued but are not yet effective

A number of new standards, amendments to existing standards and interpretation have been published that are not mandatory for reporting period beginning 1 March 2021 and have not been early adopted by the Group:

Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments <sup>(1)</sup>
Amendments to Annual Improvements Project	Annual Improvements to IFRSs 2018-2020 <sup>(1)</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>(2)</sup>
IFRS 17	Insurance Contracts <sup>(2)</sup>
Amendments to IFRS 17	Amendments to IFRS 17 <sup>(2)</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>(2)</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>(2)</sup>
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction <sup>(2)</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(3)</sup>

(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 Board of Directors has 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.

### (c) Tax

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

### 3 Segment information

The Group is principally engaged in sales of sportswear products and leasing commercial spaces to other retailers 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 Board considers 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 31 August 2021 and 28 February 2021, substantially all of the non-current assets of the Group were located in the PRC.

### 4 Revenue

	Six months ended 31 August	
	2021	2020
	RMB million	RMB million
Sale of goods	15,421.3	15,618.9
Concessionaire fee income	120.8	111.4
Others	31.3	39.2
	<u>15,573.4</u>	<u>15,769.5</u>

### 5 Other income

	Six months ended 31 August	
	2021	2020
	RMB million	RMB million
Government incentives (note)	310.3	177.8
Others	-	3.3
	<u>310.3</u>	<u>181.1</u>

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

## 6 Expenses by nature

	<b>Six months ended 31 August</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB million</b>	<b>RMB million</b>
Cost of inventories recognized as expenses included in cost of sales	<b>8,476.3</b>	9,204.0
Staff costs	<b>1,618.4</b>	1,454.6
Lease expenses (mainly including concessionaire fee expenses)	<b>1,251.2</b>	1,156.4
Depreciation on right-of-use assets	<b>917.4</b>	897.0
Depreciation on property, plant and equipment	<b>331.8</b>	340.4
Amortization of intangible assets	<b>15.5</b>	16.0
Write-off of intangible assets	<b>-</b>	2.0
Write-off of property, plant and equipment	<b>3.2</b>	2.5
Loss on disposal of property, plant and equipment	<b>1.0</b>	1.3
Gain on disposal of right-of-use assets	<b>(15.9)</b>	-
Impairment of inventories recognized as expenses included in cost of sales (Note 11)	<b>173.6</b>	-
Impairment on right-of-use assets (included in selling and distribution expenses)	<b>41.2</b>	14.9
Other tax expenses	<b>68.3</b>	68.8
Others	<b>945.0</b>	859.6
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and general and administrative expenses	<b>13,827.0</b>	14,017.5
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## 7 Finance costs, net

	<b>Six months ended 31 August</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB million</b>	<b>RMB million</b>
Interest income from bank deposits	<b>46.8</b>	83.8
Exchange gains	<b>26.3</b>	-
	<hr/>	<hr/>
Finance income	<b>73.1</b>	83.8
	<hr/>	<hr/>
Interest expense on bank borrowings	<b>(12.3)</b>	(35.4)
Interest expense on lease liabilities	<b>(98.5)</b>	(103.1)
	<hr/>	<hr/>
Finance costs	<b>(110.8)</b>	(138.5)
	<hr/>	<hr/>
Finance costs, net	<b>(37.7)</b>	(54.7)
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## 8 Income tax expense

	Six months ended 31 August	
	2021	2020
	RMB million	RMB million
Current income tax - PRC corporate income tax		
- Current period	567.1	460.4
- (Over)/under-provision in prior years	(8.8)	4.5
- Withholding tax	-	1.6
Deferred income taxes	32.9	78.5
	<u>591.2</u>	<u>545.0</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% (six months ended 31 August 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 period, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 31 August 2020: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 2.5% to 15% and other preferential tax treatments (six months ended 31 August 2020: 5% to 15%).

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 period.

		Six months ended 31 August	
		2021	2020
Profit for the period attributable to equity holders of the Company	RMB million	<u>1,430.8</u>	<u>1,309.1</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	thousand of shares	<u>6,201,222</u>	<u>6,201,222</u>
Basic earnings per share	RMB cents	<u>23.07</u>	<u>21.11</u>

### (b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share issued during the six months ended 31 August 2021 and 2020.

## 10 Dividends

- (a) At a meeting held on 28 October 2021, the directors declared an interim dividend of RMB13.00 cents or equivalent to HK\$15.65 cents per ordinary share (totaling RMB806.2 million) for the year ending 28 February 2022, which declared after the end of the reporting period are not reflected as dividend payable in the interim financial information.
- (b) 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, which was paid during the six months ended 31 August 2021.
- (c) 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.
- (d) 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 six months ended 31 August 2020.

## 11 Inventories

	<b>As at 31 August 2021 RMB million</b>	<b>As at 28 February 2021 RMB million</b>
Merchandise for sale and consumables	<b>7,924.7</b>	6,282.0
Less: provision for impairment losses	<b>(244.3)</b>	(70.7)
	<b><u>7,680.4</u></b>	<u>6,211.3</u>

The cost of inventories amounting to RMB8,476.3 million (six months ended 31 August 2020: RMB9,204.0 million) and the provision for impairment of inventories amounting to RMB173.6 million (six months ended 31 August 2020: Nil) were included in cost of sales during the period ended 31 August 2021.

## 12 Trade receivables

	<b>As at 31 August 2021 RMB million</b>	<b>As at 28 February 2021 RMB million</b>
Trade receivables	1,117.3	2,195.3
Loss allowance	(15.0)	(18.0)
	<u>1,102.3</u>	<u>2,177.3</u>

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 31 August 2021, the aging analysis of trade receivables, based on invoice date, is as follows:

	<b>As at 31 August 2021 RMB million</b>	<b>As at 28 February 2021 RMB million</b>
0 to 30 days	1,051.8	2,101.3
31 to 60 days	44.8	69.5
61 to 90 days	4.2	1.8
Over 90 days	16.5	22.7
	<u>1,117.3</u>	<u>2,195.3</u>
Loss allowance	(15.0)	(18.0)
	<u>1,102.3</u>	<u>2,177.3</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 31 August 2021, the aging analysis of trade payables, based on invoice date, is as follows:

	<b>As at 31 August 2021 RMB million</b>	<b>As at 28 February 2021 RMB million</b>
0 to 30 days	1,548.4	431.8
31 to 60 days	1.5	1.9
Over 60 days	1.8	11.7
	<u>1,551.7</u>	<u>445.4</u>

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS MODEL AND OPERATING ENVIRONMENT

Market conditions continued to be volatile in the First Half of the Financial Year ending 28 February 2022. Faced with challenges and changes, Topsports continued to think, improve, and break through. This has been a whole new level of experience for us, with all the complexity and uncertainty combined, despite our industry know-how fortified for over more than 20 years. Nevertheless, the appeal of retail is really the change and versatility itself. And the competitiveness of a market leader is always reflected in their ability to ride all the changes. During the period, we once again delivered another set of solid results.

At the beginning of the new financial year, the impact of the Pandemic was mitigated in China compared to the global resurgence, due to China's persistent effort to implement timely, rigorous and thorough prevention measures. Under the new normal of the post-Pandemic era, rising public awareness of health and fitness is expected to drive domestic sports consumption and support further growth of the sportswear market. However, the new Delta variant came in June with stronger transmission ability and higher speed. In light of new challenges, the general public raised their consciousness towards prevention and governments at all levels responded nimbly, putting an effective control on the spread of the virus within a certain period of time. Due to the highly contagious feature of this variant, new domestic cases were reported in various regions since late July, which significantly pressured the shopping traffic, especially in August, when we observed a more significant impact on business. As a result the recovery of the market was non-linear and uneven.

Ever since our entry in the sportswear retail industry Topsports has been devoted to refine our "Retail Operations Playbook" with a consumer-centric focus to reflect evolving retail dynamics, especially so after the outbreak of the Novel Coronavirus Disease last year. During the period, we steadily executed the strategy of "Optimized Location + Optimized Operations" to expand our retail network coverage among market volatilities through more integrated collaboration with our brand partners, resulting in an increase of the total gross selling area. We opened more large format stores across the country. We expanded our customer base with upgraded stores, compelling products, and quality services. We strived to reform the traditional stores with omni-channel retail capabilities. As one of the major drivers of omni-channel growth, digitalization continued to play a crucial role in empowering our business with "Precision + Efficiency". It enabled us to strengthen our competency and further elevate efficiency while deepening our consumer insights to perpetually fortify our moat. In the mean time we continued to expand product and service offerings on our platform from a variety of perspectives. With customer-centric traffic acquisition, conversion and operational upgrades, we continued to gain consumer insights. It also provided an opportunity for consumers to interact with the Topsports brand name and help us build a consumer-centric, omni-channel sportswear retail and service platform fueled by digitalization.

## BUSINESS REVIEW

During the period, our revenue was negatively impacted as a result of volatile market conditions, especially in July and August due to the Pandemic, when there were significant challenges in sales performance and inventory management. In the process we closely monitored uncertainties related to the supply chain and responded swiftly, positioning ourselves to change with agility and flexibility on an ongoing basis. As at 31 August 2021, inventory increased year-on-year but the mix remained healthy. We delivered quality earnings growth and breakthroughs on the back of our dedication and joint efforts with our partners amid market headwinds.

In the First Half of the Financial Year, we continued to work on retail network optimization, long-term digitalization upgrades, customer relationship management with twin focuses of scale and loyalty, as well as service offering expansions to meet consumer demands.

### 1. Continued Optimization of Directly-Operated Retail Network

During the period, we continued the structural optimization of our directly-operated retail store network with the strategy of “Optimized Location + Optimized Operations”. Together with our brand partners, we proactively promoted the opening and upgrade of more premium large stores in high potential neighborhoods, and accelerated the closure of low-productivity and loss-making stores. Structural optimization allowed us to mitigate inefficiencies from less productive stores and strengthen our retail network. It also enabled us to enhance consumer interaction and defend against market fluctuations.

As at 31 August 2021, we operated a network of 7,785 directly-operated stores in over 360 cities from tier 1 to 7 across the country. As compared with 28 February 2021, we recorded a half-on-half net decrease of 221 stores with gross selling area increasing by 0.8%, and a year-on-year net decrease of 371 stores with gross selling area increasing by 4.9 % as compared with 31 August 2020. The percentage of stores with an average selling area of 150 sq.m or larger continued to grow. Among these, stores over 300 sq.m accounted for 10.8%, representing an increase of 1.4 percentage points as compared with 28 February 2021 and an increase of 2.8 percentage points as compared with 31 August 2020.

Numbers and percentages of our stores by size:

	2019		As at 28/29 February 2020		2021		As at 31 August 2021	
		%		%		%		%
Store size:								
150 sq.m or smaller	5,947	71.3%	5,732	68.3%	5,192	64.8%	<b>4,909</b>	<b>63.0%</b>
Between 150 and 300 sq.m	1,978	23.7%	2,051	24.4%	2,064	25.8%	<b>2,039</b>	<b>26.2%</b>
Larger than 300 sq.m	418	5.0%	612	7.3%	750	9.4%	<b>837</b>	<b>10.8%</b>
Total	<u>8,343</u>	<u>100.0%</u>	<u>8,395</u>	<u>100.0%</u>	<u>8,006</u>	<u>100.0%</u>	<u><b>7,785</b></u>	<u><b>100.0%</b></u>

## 2. Deepen Long-term Digitalization with a "Precision + Efficiency" Focus

It is our long-term goal to use digitalization as a central piece to drive operations and management. The big data we accumulated through decades of dedicated operations is a core asset, and a key to success. We strive to achieve sustainable omni-channel growth by leveraging data and streamlining business logic. Consumer insight, together with digital identification and stratification, turns non-structural data into structural data. Systems can be created with structural data, and artificial intelligence created with systems, closing the business loop with a high level of efficiency.

Over time, we have basically completed the construction of a back-office system supporting business operations and a data-driven front-line platform for customer engagement and interaction, while keeping on iterating and upgrading. We are in the process of developing middle-platform systems to provide intelligent support capabilities to the front-line platform and back-office system.

At the back-office supporting platform level, our digital procurement and merchandise management system was fully utilized from principal brands to all brands, and downstream to retailers. With these systems, store-level automated order procurement capabilities can be scaled up with the expansion of our directly-operated store network. Technology enabled our stores to better manage inventory, ensuring sufficient supply while minimizing inventory risk. During the period, we initiated the integration of existing application tools for front-line staff. With the aim of reducing burden and elevating efficiency, we streamlined applications systematically in two major categories including consumer engagement and retail operations to enhance multi-channel retail capabilities. In addition, our customer data platform was launched with the capability to aggregate and analyze massive membership information, to identify customers and apply more than 100 labels. On that basis, it enables the analysis of consumer behavior across brands, providing valuable input for front-line customer engagement and back-office procurement systems. The immense data processing capability of the new system also equipped us with the ability to activate inactive members through automatic marketing activities at scale by leveraging granular user labels. During the period, we engaged with approximately 17 million members through dozens of automatic marketing campaigns.

At the front-line consumer engagement level, our store-based social media communities continued to expand, providing seamless real-time interaction with consumers in virtual settings through corporate WeChat and WeChat groups. On top of that, we continued to implement applications and tools including mini-apps and mobile payment to enable front-line staff efficiently monetize private domain traffic. Our newly launched mini-app flagship store made it possible to interact digitally with consumers across brands and across product categories. Private domain sales helped us to partially offset the negative impact of traffic decline during recent regional resurgences of COVID-19, and support healthy and sustainable growth of our business.

At the mid-office platform level, we focus on intelligent analysis capabilities to facilitate front-line retail operations, with “people”, “product” and “marketplace” at the core. Our front-line staff became the crucial interface to elevate consumer loyalty as private domain business became more mainstream. With “people”, we are committed to streamlining and modularizing tasks, with digital tools, in an effort to reduce burden and enhance productivity. We also aim to decentralize customer relationship management, traditionally centralized, to the store level with a systematic approach. With “product” and “marketplace”, we aim to integrate internal data and external data into an analytical model that provides more granularity in merchandise analysis and channel analysis. With the support of data and analytics we strive to optimize decision making in merchandising and channel operations.

### 3. Pursue Dual-Drivers in Membership Scale and Enhanced Loyalty

During the period, we continued to offer diversified member events and quality services through consumer engagement across multiple channels as well as precise digital marketing to strengthen consumer awareness and recognition of the Topsports brand, amid volatile market conditions. While the cumulative number of enrolled members continues to increase, the contribution to total in-store retail sales (including VAT) by members remained stable with more significant contribution from repeat purchases.

As a comprehensive membership management and service platform that integrates content marketing, online shopping, membership services and other functions, the TOPSPORTS app achieved over 3.5 million cumulative users as at 31 August 2021. Through the app, we created an online sports lifestyle community called “滔 Ker”, with a complete set of member traffic management tools including topic initiation, content discussion, interest polling and product recommendation in addition to the existing sneaker collection tips sharing, peer networking and theme activities. The app also provides a link to the TOPSPORTS Wechat mini-app.

During the period, we launched our annual member festival “Member Carnival Week” nation-wide. We organized a variety of games and activities through an integration of virtual and physical settings to identify the “Top Players” among our members and build up our own KOC (Key Opinion Customers) resources. In addition, selective activation marketing was carried out for inactive members, and we continued to cultivate and increase member loyalty in creating the IP of “Topsports Member Week”.

As at 31 August 2021, our cumulative number of enrolled members reached 47.2 million. During the latest quarter as of 31 August 2021, 95.6% of the total in-store retail sales (inclusive of VAT) was contributed by our members, maintaining a high level.

	As at			
	30 November 2020	28 February 2021	31 May 2021	31 August 2021
Cumulative number of our enrolled members	37.3	40.9	44.2	47.2
Percentage of total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	97.1%	95.3%	96.6%	95.6%

Unit: Million

### 4. Expand Service & Content Offerings with Thorough Engagement along the Complete Consumer Journey

While providing quality sports services and experiences to consumers through omni-channel retail at scale, we are also actively exploring and expanding our service and content offerings in order to cover the full value chain along the whole consumer journey. In-depth exploration of consumer value will help fortify our moat and increase resilience against changes in market conditions and consumer behavior.

TOPSPORTS, our official WeChat account, through which we publish quality content, had more than 25 million followers as at 31 August 2021. The quality and popularity of our content are continuously recognized by fans. During the period under review, over 50% of the articles published on TOPSPORTS received more than 100,000 views (“100,000+”, an indicator widely used to measure the popularity of social media content in China). Meanwhile, we continued to diversify our content publishing channels by cooperating with major platforms where users shared views and experiences, such as Xiaohongshu (小紅書) and Tik Tok (抖音). In July, TOPSPORTS and Migu (咪咕) jointly launched a pop-up exhibition at the 19th China Joy Expo in which we featured an NBA jersey wall and a limited-edition sneaker wall to an enthusiastic crowd. Such campaigns allowed us to widen consumer reach, strengthen customer engagement and build awareness through lifestyle interactions. Our role is gradually evolving, from a traditional regular retailer, to an experienced field expert, establishing a comprehensive and long-term consumer companionship. We want them to get to know TOPSPORTS, to give recognition, and become a fan.

## **OUTLOOK**

The magic of sports is the vigor in physical training and the self-discipline and endurance of the mind. The charm of retail, is the day to day application of simple business logic in the face of ever changing market challenges. As a leading sportswear retailer in China, looking ahead, Topsports will continue to take a consumer-centric approach and implement the following strategic measures to focus on the present, invest in the future, and prepare for the next breakthrough.

- Expand store network with the “Optimized Location + Optimized Operations” strategy and advance store-based omni-channel retail
- Deepen long-term digitalization with “Precision + Efficiency”
- Expand our brand offerings and deepen cooperation with brand partners
- Pursue dual-drivers in membership scale and enhanced loyalty with an emphasize on consumer engagement and operation upgrades
- Expand service and content offerings with complete coverage of the value chain along the consumer journey to deepen exploration of consumer value

## FINANCIAL REVIEW

During the six months ended 31 August 2021, the Group recorded revenue of RMB15,573.4 million, a slightly decrease of 1.2% compared with that of the six months ended 31 August 2020. The Group recorded operating profit of RMB2,059.7 million, an increase of 7.9% compared with that of the six months ended 31 August 2020. The profit attributable to the Company's equity holders during the period under review amounted to RMB1,430.8 million, an increase of 9.3% compared with that of the six months ended 31 August 2020.

## REVENUE

The Group's revenue slightly decreased by 1.2%, from RMB15,769.5 million for the six months ended 31 August 2020 to RMB15,573.4 million for the six months ended 31 August 2021. The decline was mainly due to the impact of the spread of new coronavirus variant, since late July, to retail operations, partly offset by increase in revenue contributed by the wholesale operations as our tactical intention. 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 periods indicated:

	Six months ended 31 August		2021		2020		Growth / (Decline) rate
	Revenue	% of total	Revenue	% of total	Revenue	% of total	
Principal brands*	<b>13,517.9</b>	<b>86.8%</b>	13,857.0	87.9%	13,857.0	87.9%	(2.4%)
Other brands*	<b>1,903.4</b>	<b>12.2%</b>	1,761.9	11.2%	1,761.9	11.2%	8.0%
Concessionaire fee income	<b>120.8</b>	<b>0.8%</b>	111.4	0.7%	111.4	0.7%	8.4%
e-Sports income	<b>31.3</b>	<b>0.2%</b>	39.2	0.2%	39.2	0.2%	(20.2%)
Total	<b>15,573.4</b>	<b>100.0%</b>	15,769.5	100.0%	15,769.5	100.0%	(1.2%)

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 periods indicated:

	Six months ended 31 August		2021		2020		Growth / (Decline) rate
	Revenue	% of total	Revenue	% of total	Revenue	% of total	
Retail operations	<b>12,702.3</b>	<b>81.6%</b>	12,997.0	82.5%	12,997.0	82.5%	(2.3%)
Wholesales operations	<b>2,719.0</b>	<b>17.4%</b>	2,621.9	16.6%	2,621.9	16.6%	3.7%
Concessionaire fee income	<b>120.8</b>	<b>0.8%</b>	111.4	0.7%	111.4	0.7%	8.4%
e-Sports income	<b>31.3</b>	<b>0.2%</b>	39.2	0.2%	39.2	0.2%	(20.2%)
Total	<b>15,573.4</b>	<b>100.0%</b>	15,769.5	100.0%	15,769.5	100.0%	(1.2%)

Unit: RMB million

## PROFITABILITY

The Group's operating profit increased by 7.9% to RMB2,059.7 million for the six months ended 31 August 2021. The profit attributable to the Company's equity holders increased by 9.3% to RMB1,430.8 million for the six months ended 31 August 2021.

	Six months ended 31 August		Growth / (Decline) rate
	2021	2020	
Revenue	<b>15,573.4</b>	15,769.5	(1.2%)
Cost of sales	<b>(8,649.9)</b>	(9,204.0)	(6.0%)
Gross Profit	<b>6,923.5</b>	6,565.5	5.5%
Gross profit margin	<b>44.5%</b>	41.6%	

*Unit: RMB million*

Cost of sales decreased by 6.0% from RMB9,204.0 million for the six months ended 31 August 2020 to RMB8,649.9 million for the six months ended 31 August 2021. Gross profit of the Group increased by 5.5% to RMB6,923.5 million for the six months ended 31 August 2021 from RMB6,565.5 million for the six months ended 31 August 2020.

During the period under review, the gross profit margin of the Group was 44.5%, increased by 2.9 percentage points, from 41.6% for the six months ended 31 August 2020. Increase in gross profit margin primarily resulted in improved retail discount year-on-year due to disciplined discounts control, as well as more integrated cooperation with the brand partners.

Selling and distribution expenses for the six months ended 31 August 2021 were RMB4,542.5 million (six months ended 31 August 2020: RMB4,207.4 million), accounting for 29.2% of the Group's revenue (six months ended 31 August 2020: 26.7%). 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. Increase in selling and distribution expenses primarily due to (i) decrease in the rent concessions and the government policy of provisional reduction and exemption of social insurance premium as the impact of the Pandemic during the period under review; (ii) 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 six months ended 31 August 2021 were RMB634.6 million (six months ended 31 August 2020: RMB606.1 million), accounting for 4.1% of the Group's revenue (six months ended 31 August 2020: 3.8%). The general and administrative expenses primarily include lease expenses in relation to office premises, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Increase in general and administrative expenses primarily due to (i) decrease in the government policy of provisional reduction and exemption of social insurance premium as the impact of the Pandemic, (ii) the absence of rent concessions during the period under review.

Finance income decreased from RMB83.8 million for the six months ended 31 August 2020 to RMB73.1 million for the six months ended 31 August 2021, as the average balance of bank deposits for the six months ended 31 August 2021 was lower than the same period of last year, partly offset by exchange gains in RMB.

Finance costs decreased from RMB138.5 million for the six months ended 31 August 2020 to RMB110.8 million for the six months ended 31 August 2021, primarily as a result of less interest expenses of short-term borrowings incurred, as the average balance of short-term borrowings and weighted average interest rate for the six months ended 31 August 2021 were lower than the same period of last year.

Income tax expense for the six months ended 31 August 2021 amounted to RMB591.2 million (six months ended 31 August 2020: RMB545.0 million). The effective income tax rate slightly decreased by 0.2 percentage points to 29.2% for the six months ended 31 August 2021 from 29.4% for the six months ended 31 August 2020. The statutory income tax rate for the Group in Mainland China is generally 25% and the Company provided withholding tax provision on the profits retained by the subsidiaries in the PRC.

## OTHER INCOME

Other income for the six months ended 31 August 2021 amounted to RMB310.3 million (six months ended 31 August 2020: RMB181.1 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. During the six months ended 31 August 2021, the total capital expenditure was RMB261.1 million (six months ended 31 August 2020: RMB175.5 million).

## BASIC EARNINGS PER SHARE

Basic earnings per share for the six months ended 31 August 2021 increased by 9.3% to RMB23.07 cents from RMB21.11 cents for the six months ended 31 August 2020.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB1,430.8 million for the six months ended 31 August 2021 (six months ended 31 August 2020: RMB1,309.1 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (six months ended 31 August 2020: 6,201,222,024 shares).

		<b>Six months ended 31 August</b>	
		<b>2021</b>	2020
Profit for the period attributable to the Company's equity holders	RMB million	<u><b>1,430.8</b></u>	<u>1,309.1</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	thousand of shares	<u><b>6,201,222</b></u>	<u>6,201,222</u>
Basic earnings per share	RMB cents	<u><b>23.07</b></u>	<u>21.11</u>

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the period under review, net cash generated from operations increased by RMB651.6 million to RMB3,325.4 million for the six months ended 31 August 2021 from RMB2,673.8 million for the six months ended 31 August 2020.

Net cash used in investing activities for the six months ended 31 August 2021 was RMB297.1 million (six months ended 31 August 2020: net cash generated from RMB393.5 million). During the period under review, the Group invested RMB277.9 million on payments for purchases of property, plant and equipment and intangible assets and placement of other bank deposits of RMB1,899.6 million, offset by proceeds from disposals of property, plant and equipment of RMB2.7 million, withdrawal of other bank deposits of RMB1,849.6 million and interest received of RMB28.1 million.

During the period under review, net cash used in financing activities was RMB2,435.4 million (six months ended 31 August 2020: net cash used in RMB2,932.9 million), mainly due to the repayments of bank borrowings of RMB3,707.2 million, payments for lease liabilities (including interest) of RMB1,176.0 million and payments of the 2020/21 final dividend of RMB744.1 million by the Group during the period, partly offset by proceeds from bank borrowings of RMB3,203.8 million.

As at 31 August 2021, the Group held bank balances and cash and other bank deposits totaling RMB1,118.0 million, after netting off the short-term borrowings of RMB833.8 million, it was in a net cash position of RMB284.2 million. As at 28 February 2021, the Group held bank balances and cash and other bank deposits 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.

## **GEARING RATIO**

As at 31 August 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 had a net cash position (28 February 2021: net cash position) and the aggregate balances of long-term pledged bank deposits, other bank deposits and bank balances and cash exceeded the total balance of short-term borrowings by RMB1,284.2 million (28 February 2021: RMB891.6 million).

## **PLEDGE OF ASSETS**

As at 31 August 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.

## **HUMAN RESOURCES**

As at 31 August 2021, the Group had a total of 41,957 employees (28 February 2021: 40,348 employees). For the six months ended 31 August 2021, total staff costs were RMB1,618.4 million (six months ended 31 August 2020: RMB1,454.6 million), accounting for 10.4% (six months ended 31 August 2020: 9.2%) 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**

### **INTERIM DIVIDEND**

The board of directors of the Company (the “Board”) has resolved to declare an interim dividend of RMB13.00 cents per ordinary share (the “Interim Dividend”), totaling RMB806.2 million for the six months ended 31 August 2021.

The Interim Dividend will be paid on or about Thursday, 16 December 2021 to shareholders whose names appear on the register of members of the Company on Friday, 3 December 2021.

The actual exchange rate for the purpose of Interim Dividend payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK\$1.2042) as quoted by the Hong Kong Association of Banks on Thursday, 28 October 2021, being the date on which the Interim Dividend is declared by the Board. Accordingly, the amount of the Interim Dividend is HK\$15.65 cents per ordinary share.

The Board is of the view that the Company will be able to pay its debts as they fall due in its ordinary course of business immediately following the payment of the Interim Dividend and the declaration of the Interim Dividend will not have an adverse impact on the business of the Company.

### **CLOSURE OF REGISTER OF MEMBERS**

The Interim Dividend will be payable on or about Thursday, 16 December 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 3 December 2021. For the purpose of ascertaining shareholder’s eligibility for the Interim Dividend, the register of members of the Company will be closed from Wednesday, 1 December 2021 to Friday, 3 December 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned Interim 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, 30 November 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.

### **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 period ended 31 August 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 for Securities Transactions by Directors of Listed Issuers (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 for the period from 1 March 2021 to 31 August 2021.

## **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 has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 31 August 2021.

## **REMUNERATION COMMITTEE**

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.

The primary responsibilities of the Remuneration Committee include (but without limitation):

- making 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;
- determining the terms of specific remuneration package of the Directors and senior management; and
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

The emoluments of Directors are determined by reference to the skills, experiences, responsibilities, employment conditions and time commitment in the Group's affairs and performance of each Director as well as salaries paid by comparable companies and the prevailing market conditions.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

## **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. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve the Board diversity, where appropriate, before making recommendation to the Board.

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.

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

During the period under review, 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 31 August 2021:

<b>Intended use of Net Proceeds as stated in the Prospectus</b>	<b>Net Proceeds HK\$ million</b>	<b>Utilized amount HK\$ million</b>	<b>Unutilized amount HK\$ million</b>
Investing in technology initiatives to accelerate the digital transformation of the business	800.0	723.8	76.2 <sup>(1)</sup>
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	-
<b>Total</b>	<b>7,689.0</b>	<b>7,612.8</b>	<b>76.2</b>

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, 28 October 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 interim 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 interim 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.*