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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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2022

FINANCIAL HIGHLIGHTS

		Year ended	
		28 February 2022 (Unaudited)	28 February 2021 (Audited)
Revenue	RMB million	31,876.5	36,009.0
Gross profit	RMB million	13,824.4	14,681.1
Operating profit	RMB million	3,430.1	3,989.4
Profit attributable to the Company's equity holders	RMB million	2,446.5	2,770.1
Gross profit margin	%	43.4	40.8
Operating profit margin	%	10.8	11.1
Profit margin attributable to the Company's equity holders	%	7.7	7.7
Earnings per share – basic and diluted	RMB cents	39.45	44.67
Dividend per share			
– interim, paid	RMB cents	13.00	12.00
– special, paid	RMB cents	N/A	40.00
– final, proposed	RMB cents	7.00	12.00
– special, proposed	RMB cents	23.00	N/A
Average trade receivables turnover period	days	18.8	18.6
Average trade payables turnover period	days	13.9	13.3
Average inventory turnover period	days	130.4	110.0
		As at	
		28 February 2022	28 February 2021
Gearing ratio	%	Net cash	Net cash
Current ratio	times	2.3	1.9

ANNUAL RESULTS

The board of directors (the “**Board**” or “**Directors**”) of Topsports International Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 28 February 2022, together with comparative information, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Note	Year ended	
		28 February 2022	28 February 2021
		RMB million (Unaudited)	RMB million (Audited)
Revenue	4	31,876.5	36,009.0
Cost of sales	6	(18,052.1)	(21,327.9)
Gross profit		13,824.4	14,681.1
Selling and distribution expenses	6	(9,438.5)	(9,655.3)
General and administrative expenses	6	(1,293.3)	(1,242.8)
Reversal of/(provision for) impairment of trade receivables		10.2	(25.6)
Other income	5	327.3	232.0
Operating profit		3,430.1	3,989.4
Finance income	7	113.8	140.7
Finance costs	7	(217.8)	(279.3)
Finance costs, net		(104.0)	(138.6)
Profit before income tax		3,326.1	3,850.8
Income tax expense	8	(879.6)	(1,080.7)
Profit for the year attributable to equity holders of the Company		2,446.5	2,770.1
		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	39.45	44.67

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 28 FEBRUARY 2022

	Year ended	
	28 February 2022 RMB million (Unaudited)	28 February 2021 RMB million (Audited)
Profit for the year attributable to equity holders of the Company	2,446.5	2,770.1
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Other comprehensive (loss)/income		
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences	(20.5)	1.2
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences	-	50.2
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	(20.5)	51.4
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Total comprehensive income for the year attributable to equity holders of the Company	2,426.0	2,821.5
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CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2022

		As at	
	Note	28 February 2022 RMB million (Unaudited)	28 February 2021 RMB million (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		1,009.1	1,019.5
Right-of-use assets		3,099.7	3,624.6
Intangible assets		1,092.9	1,089.6
Long-term deposits, prepayments and other receivables		309.4	266.4
Long-term pledged bank deposits		1,000.0	1,000.0
Deferred income tax assets		305.0	266.0
		<u>6,816.1</u>	<u>7,266.1</u>
Current assets			
Inventories	11	6,686.2	6,211.3
Trade receivables	12	1,106.9	2,177.3
Deposits, prepayments and other receivables		1,434.5	822.9
Bank balances and cash		1,752.6	1,228.8
		<u>10,980.2</u>	<u>10,440.3</u>
Total assets		<u>17,796.3</u>	<u>17,706.4</u>

CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2022

		As at	
	Note	28 February 2022 RMB million (Unaudited)	28 February 2021 RMB million (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,970.2	2,329.2
Deferred income tax liabilities		372.1	245.6
		2,342.3	2,574.8
Current liabilities			
Trade payables	13	926.7	445.4
Other payables, accruals and other liabilities		1,644.9	1,516.1
Short-term borrowings	14	518.2	1,337.2
Lease liabilities		1,086.2	1,319.9
Current income tax liabilities		696.5	807.2
		4,872.5	5,425.8
Total liabilities		7,214.8	8,000.6
Net assets		10,581.5	9,705.8
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		-	-
Other reserves		3,511.5	5,039.7
Retained earnings		7,070.0	4,666.1
Total equity		10,581.5	9,705.8

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 28 FEBRUARY 2022

	Year ended	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
Cash flows from operating activities		
Net cash generated from operations	6,592.3	5,655.5
Income tax paid	(902.8)	(950.0)
	5,689.5	4,705.5
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible assets	(716.4)	(643.1)
Proceeds from disposals of property, plant and equipment	3.2	5.9
Payments for acquisition of a business	-	(0.5)
Withdrawal of pledged term deposits under the cross-border cash pooling arrangement	-	3,594.7
Placement of long-term pledged bank deposits	-	(1,000.0)
Placement of other bank deposits	(1,000.0)	(460.0)
Withdrawal of other bank deposits	1,000.0	460.0
Interest received	41.9	140.7
	(671.3)	2,097.7
Cash flows from financing activities		
Proceeds from bank borrowings	4,347.6	1,263.1
Proceeds from drawing as borrowings under the cross-border cash pooling arrangement	-	1,460.0
Repayment of drawing as borrowings under the cross-border cash pooling arrangement	-	(2,460.0)
Repayments of bank borrowings	(5,152.1)	(1,325.9)
Payments for lease liabilities (including interest)	(2,117.2)	(1,960.1)
Interest paid for bank borrowings	(22.4)	(81.4)
Dividends paid to then equity holders of the Company	-	(1,635.3)
Dividends paid	(1,550.3)	(3,658.7)
	(4,494.4)	(8,398.3)
Net increase/(decrease) in cash and cash equivalents	523.8	(1,595.1)
Cash and cash equivalents at beginning of the year	1,228.8	2,823.9
Cash and cash equivalents at end of the year	1,752.6	1,228.8

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, Ugland 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. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10 October 2019. As at 28 February 2022, no entity holds more than 50% equity interest in the Company.

Prior to 28 December 2020, the immediate holding company and an intermediate holding company of the Company were Belle Sports Limited (“Belle Sports”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability and Belle International Holdings Limited (“Belle International”), a company incorporated in the Cayman Islands with limited liability, respectively.

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.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated and have been approved for issue by the Board on 30 May 2022.

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 2021:

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

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) New standards, amendments to standards and interpretations that have been issued but are not yet effective

A number of new standards, amendments to standards and interpretations have been issued but are not effective for the year beginning on or after March 1, 2022 and have not been early adopted by the Group:

Amendments to IAS 16, IAS 37 and IFRS 3	Narrow-scope amendments ⁽¹⁾
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁽¹⁾
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁽¹⁾
Amendments to IFRS 3	Reference to the Conceptual Framework ⁽¹⁾
Annual Improvements	Annual Improvements to IFRSs 2018 – 2020 Cycle ⁽¹⁾
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ⁽²⁾
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁽²⁾
Amendments to IAS 8	Definition of Accounting Estimates ⁽²⁾
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction ⁽²⁾
Amendments to IFRIC - Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽²⁾
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 ⁽²⁾
IFRS 17	Insurance Contracts ⁽²⁾
Amendments to IFRS 17	Amendments to IFRS 17 ⁽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 standards, amendments to standards and interpretations, and have concluded on a preliminary basis that the adoption of these new standards, amendments and interpretations to 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 2022 and 28 February 2021, substantially all of the non-current assets of the Group were located in the PRC.

4 Revenue

	Year ended	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
Sale of goods	31,574.5	35,687.3
Concessionaire fee income	236.0	240.2
Others	66.0	81.5
	31,876.5	36,009.0

5 Other income

	Year ended	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
Government incentives (note)	326.1	221.3
Others	1.2	10.7
	327.3	232.0

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

6 Expenses by nature

	Year ended	
	28 February 2022 RMB million (Unaudited)	28 February 2021 RMB million (Audited)
Cost of inventories recognized as expenses included in cost of sales	18,003.4	21,306.8
Staff costs	3,463.7	3,172.9
Lease expenses (mainly including concessionaire fee expenses)	2,614.1	3,040.4
Depreciation on right-of-use assets	1,830.2	1,923.6
Depreciation on property, plant and equipment	667.2	679.9
Amortization of intangible assets	30.7	28.5
Write-off of intangible assets	-	2.0
Write-off of property, plant and equipment	6.3	16.9
Loss on disposal of property, plant and equipment	1.3	3.1
Impairment of inventories recognized as expenses included in cost of sales	48.7	21.1
Impairment on right-of-use assets (included in selling and distribution expenses)	39.0	14.9
Other tax expenses	115.9	140.6
Auditors' remuneration	5.2	5.2
Others	1,958.2	1,870.1
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses and general and administrative expenses	28,783.9	32,226.0
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7 Finance costs, net

	Year ended	
	28 February 2022 RMB million (Unaudited)	28 February 2021 RMB million (Audited)
Interest income from bank deposits	78.9	140.7
Exchange gains	34.9	-
	<hr/>	<hr/>
Finance income	113.8	140.7
	<hr/>	<hr/>
Interest expense on bank borrowings	(18.4)	(56.4)
Interest expense on lease liabilities	(199.4)	(222.9)
	<hr/>	<hr/>
Finance costs	(217.8)	(279.3)
	<hr/> <hr/>	<hr/> <hr/>
Finance costs, net	(104.0)	(138.6)
	<hr/> <hr/>	<hr/> <hr/>

8 Income tax expense

	Year ended	
	28 February 2022 RMB million (Unaudited)	28 February 2021 RMB million (Audited)
Current income tax - PRC corporate income tax		
- Current year	749.6	864.0
- Over-provision in prior years	(3.3)	(0.6)
- Withholding tax	45.8	73.4
Deferred income taxes	87.5	143.9
	<u>879.6</u>	<u>1,080.7</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% (2021: 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% (2021: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 2.5% to 15% (2021: 5% to 15%) and other preferential tax treatments.

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 2022 (Unaudited)	28 February 2021 (Audited)
Profit attributable to equity holders of the Company	RMB million	<u>2,446.5</u>	<u>2,770.1</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>39.45</u>	<u>44.67</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 outstanding as at 28 February 2022 and 28 February 2021.

10 Dividends

- (a) 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 were paid and have been reflected as an appropriation of retained earnings for the year ended 28 February 2021.
- (b) 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 ended 28 February 2022, which was paid during the year ended 28 February 2022.
- (c) 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 year ended 28 February 2022.
- (d) At a meeting held on 30 May 2022, the directors recommended a final dividend of RMB7.00 cents or equivalent to HK\$8.09 cents per ordinary share (totaling RMB434.1 million) and a special dividend of RMB23.00 cents or equivalent to HK\$26.58 cents per ordinary share (totaling RMB1,426.3 million) for the year ended 28 February 2022. These proposed dividend are not reflected as dividend payable in the financial statements, but will be reflected in the year ending 28 February 2023.

11 Inventories

	As at	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
Merchandise for sale and consumables	6,805.6	6,282.0
Less: provision for impairment losses	(119.4)	(70.7)
	<u>6,686.2</u>	<u>6,211.3</u>

The cost of inventories amounting to RMB18,003.4 million (2021: RMB21,306.8 million) and the additional provision for impairment of inventories amounting to RMB48.7 million (2021: RMB21.1 million) were included in cost of sales during the year ended 28 February 2022.

12 Trade receivables

	As at	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
Trade receivables	1,114.7	2,195.3
Loss allowance	(7.8)	(18.0)
	<u>1,106.9</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 28 February 2022, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
0 to 30 days	1,064.3	2,101.3
31 to 60 days	40.0	69.5
61 to 90 days	1.4	1.8
Over 90 days	9.0	22.7
	<u>1,114.7</u>	<u>2,195.3</u>
Loss allowance	(7.8)	(18.0)
	<u>1,106.9</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 28 February 2022, the aging analysis of trade payables, based on invoice date, is as follows:

	As at	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
0 to 30 days	921.3	431.8
31 to 60 days	3.9	1.9
Over 60 days	1.5	11.7
	<u>926.7</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.

14 Short-term borrowings

	As at	
	28 February 2022	28 February 2021
	RMB million (Unaudited)	RMB million (Audited)
Unsecured bank borrowings (note (a))	518.2	337.2
Secured bank borrowing (note (b))	-	1,000.0
	<u>518.2</u>	<u>1,337.2</u>

Notes:

- (a) As at 28 February 2022, the Group's unsecured bank borrowings carried interest at floating rates with weighted average interest rate of 1.2% (2021: 1.3%) per annum. The carrying amounts of the Group's short-term bank borrowings 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 2.5% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

Over the past year, the retail environment in which we operate met with unprecedented challenges caused by factors including frequent pandemic outbreaks and the inventory shortage as a result of global supply chain disruption. The sportswear industry, however, still witnesses the prosperous momentum, underpinned by national policy for its long-term growth. In August 2021, the State Council issued a notice concerning the promotion of national fitness with the aim to establish public fitness facilities at the county, township and administrative village levels to achieve the full coverage of 15-minute fitness circles by 2025, which is expected to bring a market of RMB5 trillion to the sports goods industry. Meanwhile, Chinese consumers' appetite for sports continue to grow as their understanding of sports matures, leading to a pursuit for more acute and confident choices. Consumer passion extends beyond product demand to sports lifestyle and concept aspiration, and is fueled by the desire to further engage both physically and virtually. Despite the predicament, the crises often give rise to opportunities, and we are resolved to cultivating our Omni-operation capabilities and constantly iterate to improve our agility. These long-term competencies serve as a strong moat for the Company and give us confidence in our continuing leadership in the industry.

During the year, in order to respond to external challenges, we have focused on unlocking market potential and opportunities, dynamic inventory management to maximize efficiency, and prudent expense control. We continued to expand our consumer-centric brand portfolio to include a total of 11 leading domestic and foreign brands in the Chinese market. Our total gross selling area continued to expand as we steadily implemented the store structure strategy of "Select + Optimize", impelled by the transformed role for physical store engagement to cope with shifting consumer demand on top of more diverse brand portfolio and product offerings. A great many large format stores opened across the country, while store functions are reimaged on the back of retail transformations that blur the lines between online and offline. Meanwhile, we proactively sought to enrich our products and services, bringing in major business focuses to more tightly attach with the concept of consumer-centric traffic management including engagement, conversion and retention. While we deepen our consumer insights, we also established deeper understanding of the Topsports brand.

A year ago, when I looked back at the last financial year, I shared in my conclusion that the appeal of sports not only resides within the sport itself, but also through consistent self-discipline, rigorous training and endurance for both physically and mentally, and dedicate oneself simply for the next break-through. Now looking at this past year, it is the spirit of sportsmanship that we are equipped with, which support us confront headwinds amid volatile market conditions, the pandemic, as well as the challenges associated with disrupted supply chain in the second half of the financial year. We fully applied our strengths with agility and efficiency to daily operation and our engagement with consumers to better understand them and serve them.

BUSINESS REVIEW

During the year, our revenue was adversely impacted by the challenging external environment, particularly in the second half of the year. However, on a quarterly basis, the fourth quarter outperformed the third quarter. As a retail company, to address the new market equilibrium despite complex market conditions, we prioritized to ensure healthy inventory management. Leveraging the integrated omnipresent marketplace that we well-established and addressing the ever-changing consumer habits and shopping occasions, we enhanced turnover efficiency by adopting more swift inventory sharing mechanism between online and offline marketplaces and also to cope with the unique features and preference among them. For the financial year ended 28 February 2022, we successfully maintained a healthy sales contribution mix as well as inventory mix, resulting in strong cash generation.

Meanwhile, looking ahead, we will continue to optimize our directly-operated retail network by iterating our store-level capabilities and drive for next generation of digitalization with a focus on consumer to increase the depth and scale of our engagements. We seek to extend the reach of our services as we recalibrate ourselves against the ever-changing consumer journey. Our business moat is further enhanced as we constantly upgrade our "Retail Operation Playbook".

1. Continued Optimization of Directly-Operated Retail Network and Expansion of Store-based Omni-operations

During the year, the optimization of our directly-operated retail network under the strategy of “Select + Optimize” remained at the core of our focus. We consistently rolled out large format stores in joint efforts with our strategic brand partners in major commercial areas with high potentials, revamped and upgraded high potential stores and closed the low-productivity and loss-making stores to mitigate the long-tail impact imposed by low efficient ones within our store network. As of 28 February 2022, we operated a network of 7,695 directly-operated stores. As compared with 28 February 2021, a net decrease of 311 stores was registered with gross selling area increasing by 5.4% year-on-year.

In light of more changing consumer demand and the need for better consumption experience, more immersive shopping experience has gradually overtaken product display as the focus. Brick-and-mortar stores transform themselves from retail outlets to experience hubs that offer one-stop service and interconnect the online and offline journey. As of 28 February 2022, large format stores over 300 sq.m accounted for 12.9%, representing an increase by 3.5 percentage points from 28 February 2021. Meanwhile, large format store served as the traffic intersection point between online and offline to further facilitate the evolution of store-based retail capabilities, which in turn drives the recalibration of business model for traditional retail stores. For the Year ended 28 February 2022, for those stores equipped with WeChat mini programs, private domain contributed to mid-teens of the total direct retail sales (before VAT) of these stores.

Changes in the number of our stores during the year:

	2019	As at 28 / 29 February		2022
		2020	2021	
Number of stores				
At the beginning of the year	8,302	8,343	8,395	8,006
Opening of new stores	1,415	1,416	713	906
Closure of stores	(1,374)	(1,364)	(1,102)	(1,217)
Net increase/(decrease) in the number of stores	41	52	(389)	(311)
At the end of the year	8,343	8,395	8,006	7,695

Numbers and percentages of our stores by size:

	2019		As at 28 / 29 February			2022		
		%	2020	%	2021	%		%
Store size:								
150 sq.m or smaller	5,947	71.3%	5,732	68.3%	5,192	64.8%	4,624	60.1%
Between 150 and 300 sq.m	1,978	23.7%	2,051	24.4%	2,064	25.8%	2,082	27.0%
Larger than 300 sq.m	418	5.0%	612	7.3%	750	9.4%	989	12.9%
Total	8,343	100.0%	8,395	100.0%	8,006	100.0%	7,695	100.0%

2. Deepening Long-term Digitalization with “Precision + Efficiency”

With the gradual integration of shopping occasions in the post-pandemic era, comes the acceleration of retail digitalization while digitalization has always been an enduring battle for the future. In addition to the continuous optimization and iteration of consumer engagement in broader spaces, the essence of digitalization is also key to empower our operations and management, to solidify our foundation of core strengths with elevated efficiency. Digital transformation integrates and optimizes the business operation through data, cultivating systems using existing data enhancing systems with artificial intelligence, for a more effective business.

During the year, we continued to invest to strengthen our digitalization capability, while growing our professional talent team and carry out efficient product development and iteration to cope with operation needs. In retrospect, the digitalization of back-office support for business operations and the front-end customer engagement was largely completed, with constant and iterative systematic upgrades. On top of this, we continued to push forward development of middle-platform data system to provide intelligent support capability, with a long-term commitment to empower front-line retail operations, more specifically the trinity of “people”, “product” and “marketplace”.

With the prevalence of private domain traffic, front-line staff have become a vital interface in facilitating private domain stickiness. Based on our existing tools, we made timeless attempts to further modularize and smoothen their jobs and tasks through digitalization, and precisely dispatched centralized consumer analysis to front-line through WeCom to enable the empowerment on the store level, delivering high output toolkits to the last mile, and the most critical segment of our consumer engagement. Simultaneously, we piloted private domain operations in certain regions. Through a centralized, standardized and uniform management for certain operating functions supported by digital measures, we further enabled the front-line staff to focus more on consumer growth at scale. At present, this project has obtained encouraging initial results.

In parallel, to empower our private domain operation that is growing in sophistication, we launched an integrated multi-purpose platform including consumer data dashboard. The new system is equipped with the ability to aggregate and analyze massive membership information by segments, and to label and identify with over 100 useful tags. On that basis, the platform enables consumer analysis across brands, serving as a useful guidance for front-line consumer engagement and back-office procurement systems with advanced accuracy and precision. The immense data processing capability of the new system also provided us with the ability to target and activate members through automatic marketing activities at scale.

At “product” and “marketplace” level, we endeavored to enhance our analysis and management both in terms of latitude and granularity through more detailed tagging in marketplace and merchandise, based on input from a combination of internal and acquired data. Through this, we aim to enhance the precision of our future marketplace placement as well as optimization of retail operation by leveraging on power of algorithm generated from multiple data and analytical models.

3. Obsessed with Consumer Operations for Double Increase of User Scale and Loyalty

During the year, despite external uncertainties, Topsports remained steadfast in our efforts to seamlessly connect with consumers. We strengthened consumer awareness and recognition of Topsports by virtue of omnipresent consumer engagement, community interaction, and actions to discern consumer needs, echoing their lifestyle and social passions. The impact from fluctuating offline traffic as a result of recurrent pandemic outbreaks were offset by member acquisition from online and offline. As at the end of February 2022, the cumulative number of enrolled members and WeChat followers continued to increase, and the contribution to total in-store retail sales (including VAT) by members remained stable with more significant contribution from repeated purchases of existing members.

During the year, we launched a series of member activities including mid-year member benefit events, Member Carnival Week and year-end lottery competition, with exclusive benefits such as limited edition sneakers for members offered through online and physical stores, and interactive games and events such as “Top Players”, which helped boost member loyalty, identify fashion icons and our own KOC (Key Opinion Customers) resources. In addition, activation marketing was carried out targeting members to enhance their activeness and loyalty.

As a comprehensive membership management and service platform that integrates content marketing, online shopping, membership services and other functions, the TOPSPORTS app garnered over 4.1 million cumulative users as at 28 February 2022. We introduced social community and user cultivation in our app, where users could partake in activities such as sneaker collection tips sharing, peer networking and theme events through the online sports lifestyle community “滔 Ker”. A closed loop of traffic management including topic initiation, content discussion, interest polling and product recommendation, are introduced to help foster participations and a linkage to the TOPSPORTS WeChat mini-program. We also newly expanded to offer customized services to further cater to consumers’ tailored and unique preferences.

As at 28 February 2022, our cumulative number of enrolled members reached 55.5 million. During the latest quarter as of 28 February 2022, the total in-store retail sales (inclusive of VAT) contributed by our members was maintained at a high level of 96.4%.

	As at			
	31 May 2021	31 August 2021	30 November 2021	28 February 2022
Cumulative number of our enrolled members	44.2	47.2	50.9	55.5
Percentage of total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	96.6%	95.6%	95.6%	96.4%

Unit: Million

4. Expand Our Service Offerings to Further Our Engagement along the Consumer Journey

To extend our connection and companionship with consumers and encompass each segment along consumers journey, we seek to extend our service and content offerings from the traditional transaction and post-sale, to gradually extend to engagement and interaction during pre-sale so as to increase customer lifetime value.

We have been curating and publishing quality and popular contents to fans through our official WeChat account TOPSPORTS. As a next-generation gateway to diversified lifestyles and consumption decisions, platforms such as Xiaohongshu (小紅書) and Douyin (抖音) constitute an important product information acquisition source for consumers. During the year, we correspondingly accelerated our exploration in product recommendation among platforms to gradually establish content media matrix to incubate self-owned IP accounts. Our official WeChat accounts have more than 27 million followers, with nearly 70 million views in total for our content published across all social media accounts last year. In addition, our TOP E-sports club has continuously succeed in various competitions, including the Demacia Cup champion in the League of Legends Pro League in December 2021, which attracted a soaring traffic inflow of followers of Topsports E-sports Weibo account to over 5.6 million, paving the way for commercialization.

OUTLOOK AND APPRECIATION

The value proposition of sports lies in the pursuit of healthy lifestyle, self-transcendence and embracing solidarity. As a participant, contributor and witness of the development of the sports industry in China, Topsports is dedicated to our mission of “breaking boundaries through sports and inspiring limitless possibilities”. Consumer-centric at the core, we are committed to steadily implementing below strategies together with our brand partners, realizing quality and sustainable development with the sport spirit, and better serving Chinese consumers.

- Deepen brand partnerships and expand our brand offerings
- Expand store network under the “Select + Optimize” strategy and advance store-based Omni-operations
- Deepen long-term digitalization with “Precision + Efficiency” strategy
- Focus on the dual-expansion of membership scale and enhanced loyalty by doubling down on consumer engagement and traffic operations
- Extend service offerings along segments of consumer journey to fully unlock of consumer lifetime value

FINANCIAL REVIEW

For the year ended 28 February 2022, the Group recorded revenue of RMB31,876.5 million, a decrease of 11.5% compared with that of the year ended 28 February 2021. The Group recorded operating profit of RMB3,430.1 million, a decrease of 14.0% compared with that of the year ended 28 February 2021. The profit attributable to the Company's equity holders during the year amounted to RMB2,446.5 million, a decrease of 11.7% compared with that of the year ended 28 February 2021.

REVENUE

The Group's revenue decreased by 11.5%, from RMB36,009.0 million for the year ended 28 February 2021 to RMB31,876.5 million for the year ended 28 February 2022. The decline was mainly due to the impact of frequent pandemic outbreaks and global supply chain disruption, since late July and the second half of the financial year respectively, 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 year indicated:

	Year ended		28 February		Decline rate
	28 February 2022	% of total	2021	% of total	
Principal brands*	27,569.3	86.5%	31,421.2	87.3%	12.3%
Other brands*	4,005.2	12.6%	4,266.1	11.8%	6.1%
Concessionaire fee income	236.0	0.7%	240.2	0.7%	1.7%
e-Sports income	66.0	0.2%	81.5	0.2%	19.0%
Total	31,876.5	100.0%	36,009.0	100.0%	11.5%

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), ASICS, Onitsuka Tiger, Skechers and LI-NING. Principal brands and other brands are classified according to the Group's relative revenue.

The Group sells sportswear products sourced from international and domestic 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		28 February		Growth / (Decline) rate
	28 February 2022	% of total	2021	% of total	
Retail operations	26,354.3	82.7%	30,733.3	85.3%	(14.2%)
Wholesales operations	5,220.2	16.4%	4,954.0	13.8%	5.4%
Concessionaire fee income	236.0	0.7%	240.2	0.7%	(1.7%)
e-Sports income	66.0	0.2%	81.5	0.2%	(19.0%)
Total	31,876.5	100.0%	36,009.0	100.0%	(11.5%)

Unit: RMB million

PROFITABILITY

The Group's operating profit decreased by 14.0% to RMB3,430.1 million for the year ended 28 February 2022. The profit attributable to the Company's equity holders decreased by 11.7% to RMB2,446.5 million for the year ended 28 February 2022.

	Year ended		Decline rate
	28 February 2022 (Unaudited)	28 February 2021 (Audited)	
Revenue	31,876.5	36,009.0	11.5%
Cost of sales	(18,052.1)	(21,327.9)	15.4%
Gross Profit	<u>13,824.4</u>	<u>14,681.1</u>	5.8%
Gross profit margin	<u>43.4%</u>	<u>40.8%</u>	

Unit: RMB million

Cost of sales decreased by 15.4% from RMB21,327.9 million for the year ended 28 February 2021 to RMB18,052.1 million for the year ended 28 February 2022. Gross profit of the Group decreased by 5.8% to RMB13,824.4 million for the year ended 28 February 2022 from RMB14,681.1 million for the year ended 28 February 2021.

During the year, the gross profit margin of the Group was 43.4%, increased by 2.6 percentage points, from 40.8% for the year ended 28 February 2021. Increase in gross profit margin primarily resulted in disciplined markdown control of retail operations, improved wholesales discount year-on-year, as well as more integrated cooperation with the brand partners.

Selling and distribution expenses for the year ended 28 February 2022 were RMB9,438.5 million (2021: RMB9,655.3 million), accounting for 29.6% of the Group's revenue (2021: 26.8%). 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 sales and distribution expenses as a percentage of revenue was mainly due to (i) the adverse impact of the pandemic and global supply chain disruption on sales which increased operating leverage, (ii) 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 year.

General and administrative expenses for the year ended 28 February 2022 were RMB1,293.3 million (2021: RMB1,242.8 million), accounting for 4.1% of the Group's revenue (2021: 3.5%). 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 decrease in the government policy of provisional reduction and exemption of social insurance premium as the impact of the pandemic during the year.

Finance income decreased from RMB140.7 million for the year ended 28 February 2021 to RMB113.8 million for the year ended 28 February 2022. Decrease in finance income was mainly due to decrease in interest income, partly offset by exchange gains, as the average balance of bank deposits for the year ended 28 February 2022 was lower than last year.

Finance costs decreased from RMB279.3 million for the year ended 28 February 2021 to RMB217.8 million for the year ended 28 February 2022, 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 year ended 28 February 2022 were lower than last year.

Income tax expense for the year ended 28 February 2022 amounted to RMB879.6 million (2021: RMB1,080.7 million). The effective income tax rate decreased by 1.7 percentage points to 26.4% for the year ended 28 February 2022 from 28.1% for the year ended 28 February 2021 was attributable to more subsidiaries in the PRC entitled higher profit tax incentives during the year. 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 year ended 28 February 2022 amounted to RMB327.3 million (2021: RMB232.0 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 2022, the total capital expenditure was RMB701.6 million (2021: RMB588.3 million).

BASIC EARNINGS PER SHARE

Basic earnings per share for the year ended 28 February 2022 decreased by 11.7% to RMB39.45 cents from RMB44.67 cents for the year ended 28 February 2021.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,446.5 million for the year ended 28 February 2022 (2021: RMB2,770.1 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2021: 6,201,222,024 shares).

		Year ended	
		28 February 2022 (Unaudited)	28 February 2021 (Audited)
Profit attributable to the Company's equity holders	RMB million	<u>2,446.5</u>	<u>2,770.1</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>39.45</u>	<u>44.67</u>

LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations increased by RMB936.8 million to RMB6,592.3 million for the year ended 28 February 2022 from RMB5,655.5 million for the year ended 28 February 2021.

Net cash used in investing activities for the year ended 28 February 2022 was RMB671.3 million (2021: net cash generated from RMB2,097.7 million). During the year, the Group invested RMB716.4 million on payments for purchases of property, plant and equipment and intangible assets and placement of other bank deposits of RMB1,000.0 million, offset by proceeds from disposals of property, plant and equipment of RMB3.2 million, withdrawal of other bank deposits of RMB1,000.0 million and interest received of RMB41.9 million.

During the year, net cash used in financing activities was RMB4,494.4 million (2021: net cash used in RMB8,398.3 million), mainly attributable to the repayments of bank borrowings of RMB5,152.1 million, payments for lease liabilities (including interest) of RMB2,117.2 million, payments of the 2020/21 final dividend of RMB744.1 million and payments of the 2021/22 interim dividend of RMB806.2 million by the Group during the year, partly offset by proceeds from bank borrowings of RMB4,347.6 million.

As at 28 February 2022, the Group held bank balances and cash totaling RMB1,752.6 million, after netting off the short-term borrowings of RMB518.2 million, it was in a net cash position of RMB1,234.4 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.

GEARING RATIO

As at 28 February 2022, 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 (2021: net cash position) and the aggregate balances of long-term pledged bank deposits and bank balances and cash exceeded the total balance of short-term borrowings by RMB2,234.4 million (2021: RMB891.6 million).

PLEDGE OF ASSETS

As at 28 February 2022, 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 2022, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 28 February 2022, the Group had a total of 40,913 employees (2021: 40,348 employees). For the year ended 28 February 2022, total staff cost was RMB3,463.7 million (2021: RMB3,172.9 million), accounting for 10.9% (2021: 8.8%) of the Group's revenue. 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 2022 of RMB7.00 cents per ordinary share (the “Final Dividend”) (2021: RMB12.00 cents), totaling RMB434.1 million (2021: RMB744.1 million).

For the benefit of the shareholders of the Company, and having considered the financial position of the Company, the Board further recommended the payment of a special dividend of RMB23.00 cents per ordinary share (the “Special Dividend”, together with the Final Dividend, the “Dividends”), totaling RMB1,426.3 million.

The actual exchange rate for the purpose of Dividends payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK\$1.1556) as quoted by the Hong Kong Association of Banks on Monday, 30 May 2022, being the date on which the Dividends are recommended by the Board. Accordingly, the amount of the Final Dividend and Special Dividend are HK\$8.09 cents and HK\$26.58 cents per ordinary share, respectively.

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 Dividends and the declaration of the Dividends will not have an adverse impact on the business of the Company.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “AGM”) will be held on Monday, 1 August 2022. The notice of the AGM will be sent to shareholders on Wednesday, 29 June 2022.

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 Wednesday, 27 July 2022 to Monday, 1 August 2022 both days inclusive. To be eligible to attend and vote at the AGM, 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 Tuesday, 26 July 2022.
- (b) The Dividends will be payable on or about Thursday, 25 August 2022 to the shareholders whose names appear on the register of members of the Company on Wednesday, 10 August 2022. For the purpose of ascertaining shareholder’s eligibility for the Dividends, the register of members of the Company will be closed from Saturday, 6 August 2022 to Wednesday, 10 August 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned Dividends, 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 Friday, 5 August 2022.

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 REPORT

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.

On 1 January 2022, the amendments to the CG Code came into effect and the requirements under the new CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the new CG Code.

CODE PROVISION A.5.1

Pursuant to the amendments made to the CG Code and the Listing Rules during the financial year ended 28 February 2022, the previous code provision A.5.1 of the CG Code in relation to the composition of nomination committee has been replaced with a new Rule 3.27A of the Listing Rules with effect from 1 January 2022.

Under the previous 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. During the financial year ended 28 February 2022, Mr. YU Wu, an Executive Director, served as the chairman of the Nomination Committee. Given Mr. YU Wu is responsible for the day-to-day management and operations of the Group and has extensive expertise and insight to sportswear industry, the Board considered that Mr. YU Wu was the suitable candidate to serve as the chairman of the Nomination Committee.

In view of the amendments to the CG Code and the Listing Rules, Mr. HUANG Victor, an Independent Non-executive Director, has replaced Mr. YU Wu to serve as the chairman of the Nomination Committee, and as of the date of this announcement, the Company is fully compliant with the requirements under Rule 3.27A of the Listing Rules.

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 2022, save for the previous code provision A.5.1 of the CG Code as disclosed above.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Following specific enquiry, each of the Directors has confirmed compliance with the required standard set out in the Model Code throughout the year ended 28 February 2022.

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 also reviewed the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

To the best knowledge and belief of the Audit Committee and the Directors having made due enquiries and reviewing all relevant documents available, due to the recent pandemic measures in the PRC in connection with the outbreak of the COVID-19 pandemic, the reporting and audit processes of the Company's consolidated financial statements for the year ended 28 February 2022 have been disrupted, in particular the delay in obtaining certain confirmations from banks and suppliers in the PRC and postponement of the auditor's field work. In order to keep the shareholders and potential investors informed of the business operation and financial position of the Group, the Board decided to publish this unaudited annual results announcement of the Company for the year ended 28 February 2022 together with the audited comparative figures for the corresponding period in 2020/21. The unaudited annual results contained herein have been reviewed by the Audit Committee but have not been agreed with the Company's external auditors.

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

FURTHER ANNOUNCEMENT

Following the completion of the auditing process, the Company will issue a further announcement in relation to the audited consolidated results for the year ended 28 February 2022 as agreed by the Company's external auditors and the material differences (if any) as compared with the unaudited annual results contained herein. The Company expects the auditing process will be completed and such further announcement will be published on or before 30 June 2022, subject to the development of the COVID-19 pandemic outbreak in the major cities in the PRC where the Group has operation. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process.

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, during the year and up to 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 were 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 2022:

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds HK\$ million	Utilized amount HK\$ million
Investing in technology initiatives to accelerate the digital transformation of the business	800.0	800.0
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	<u>7,689.0</u>	<u>7,689.0</u>

Financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Company's external auditors, and are subject to adjustments. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 May 2022

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 unaudited 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.