# TOPSPORTS INTERNATIONAL HOLDINGS LIMITED
# 滔搏國際控股有限公司

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

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2023

## FINANCIAL HIGHLIGHTS

| | | **Year ended** | |
|---|---|---|---|
| | | **28 February 2023** | 28 February 2022 |
| Revenue | RMB million | **27,073.2** | 31,876.5 |
| Gross profit | RMB million | **11,284.2** | 13,824.4 |
| Operating profit | RMB million | **2,430.9** | 3,430.1 |
| Profit attributable to the Company's equity holders | RMB million | **1,836.6** | 2,446.5 |
| Gross profit margin | % | **41.7** | 43.4 |
| Operating profit margin | % | **9.0** | 10.8 |
| Profit margin attributable to the Company's equity holders | % | **6.8** | 7.7 |
| Earnings per share – basic and diluted | RMB cents | **29.62** | 39.45 |
| Dividend per share | | | |
| – interim, paid | RMB cents | **13.00** | 13.00 |
| – final, proposed | RMB cents | **5.00** | 7.00 |
| – special, proposed | RMB cents | **15.00** | 23.00 |
| Average trade receivables turnover period | days | **14.6** | 18.8 |
| Average trade payables turnover period | days | **22.2** | 13.9 |
| Average inventory turnover period | days | **149.5** | 130.4 |

| | | **As at** | |
|---|---|---|---|
| | | **28 February 2023** | 28 February 2022 |
| Gearing ratio | % | **Net cash** | Net cash |
| Current ratio | times | **2.3** | 2.3 |

## ANNUAL RESULTS

The board of directors (the "**Board**" or "**Directors**") of Topsports International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 28 February 2023, together with comparative information, as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 28 FEBRUARY 2023

| | Note | **Year ended 28 February 2023 RMB million** | Year ended 28 February 2022 RMB million |
|---|---|---|---|
| **Revenue** | 4 | **27,073.2** | 31,876.5 |
| Cost of sales | 6 | **(15,789.0)** | (18,052.1) |
| **Gross profit** | | **11,284.2** | 13,824.4 |
| Selling and distribution expenses | 6 | **(8,051.9)** | (9,438.5) |
| General and administrative expenses | 6 | **(1,101.4)** | (1,293.3) |
| Reversal of impairment of trade receivables | | **1.5** | 10.2 |
| Other income | 5 | **298.5** | 327.3 |
| **Operating profit** | | **2,430.9** | 3,430.1 |
| Finance income | 7 | **104.0** | 113.8 |
| Finance costs | 7 | **(212.5)** | (217.8) |
| Finance costs, net | | **(108.5)** | (104.0) |
| **Profit before income tax** | | **2,322.4** | 3,326.1 |
| Income tax expense | 8 | **(485.8)** | (879.6) |
| **Profit for the year attributable to equity holders of the Company** | | **1,836.6** | 2,446.5 |
| | | **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 | **29.62** | 39.45 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2023

| | Year ended 28 February 2023 RMB million | 28 February 2022 RMB million |
|---|---|---|
| **Profit for the year attributable to equity holders of the Company** | **1,836.6** | 2,446.5 |
| **Other comprehensive income/(loss)** | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Exchange differences | **82.1** | (20.5) |
| | **82.1** | (20.5) |
| **Total comprehensive income for the year attributable to equity holders of the Company** | **1,918.7** | 2,426.0 |

## CONSOLIDATED BALANCE SHEET

AS AT 28 FEBRUARY 2023

| | Note | As at<br>**28 February 2023 RMB million** | 28 February 2022 RMB million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **733.2** | 1,009.1 |
| Right-of-use assets | | **2,424.6** | 3,099.7 |
| Intangible assets | | **1,073.4** | 1,092.9 |
| Long-term deposits, prepayments and other receivables | | **249.3** | 309.4 |
| Long-term pledged bank deposits | | **-** | 1,000.0 |
| Deferred income tax assets | | **238.9** | 305.0 |
| | | **4,719.4** | 6,816.1 |
| **Current assets** | | | |
| Inventories | 11 | **6,247.3** | 6,686.2 |
| Trade receivables | 12 | **1,054.9** | 1,106.9 |
| Deposits, prepayments and other receivables | | **1,135.7** | 1,434.5 |
| Financial assets at fair value though profit or loss | | **20.0** | - |
| Short-term pledged bank deposits | | **1,286.0** | - |
| Bank balances and cash | | **2,357.4** | 1,752.6 |
| | | **12,101.3** | 10,980.2 |
| **Total assets** | | **16,820.7** | 17,796.3 |

# CONSOLIDATED BALANCE SHEET
AS AT 28 FEBRUARY 2023

| | Note | As at 28 February 2023 RMB million | 28 February 2022 RMB million |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | | **1,481.4** | 1,970.2 |
| Deferred income tax liabilities | | **237.4** | 372.1 |
| | | **1,718.8** | 2,342.3 |
| **Current liabilities** | | | |
| Trade payables | 13 | **991.0** | 926.7 |
| Other payables, accruals and other liabilities | | **1,191.5** | 1,644.9 |
| Short-term borrowings | 14 | **1,545.0** | 518.2 |
| Lease liabilities | | **1,180.7** | 1,086.2 |
| Current income tax liabilities | | **360.1** | 696.5 |
| | | **5,268.3** | 4,872.5 |
| **Total liabilities** | | **6,987.1** | 7,214.8 |
| **Net assets** | | **9,833.6** | 10,581.5 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | | **-** | - |
| Other reserves | | **1,741.7** | 3,511.5 |
| Retained earnings | | **8,091.9** | 7,070.0 |
| **Total equity** | | **9,833.6** | 10,581.5 |

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2023

| | Year ended | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| **Cash flows from operating activities** | | |
| Net cash generated from operations | **5,241.5** | 6,592.3 |
| Income tax paid | **(890.8)** | (902.8) |
| **Net cash generated from operating activities** | **4,350.7** | 5,689.5 |
| **Cash flows from investing activities** | | |
| Payments for purchases of property, plant and equipment and intangible assets | **(357.0)** | (716.4) |
| Proceeds from disposals of property, plant and equipment | **5.4** | 3.2 |
| Payment for purchase of financial assets at fair value through profit or loss | **(20.0)** | - |
| Placement of other bank deposits | **(551.0)** | (1,000.0) |
| Withdrawal of other bank deposits | **551.0** | 1,000.0 |
| Interest received | **66.0** | 41.9 |
| **Net cash used in investing activities** | **(305.6)** | (671.3) |
| **Cash flows from financing activities** | | |
| Proceeds from bank borrowings | **2,595.0** | 4,347.6 |
| Repayments of bank borrowings | **(1,571.0)** | (5,152.1) |
| Placement of short-term pledged bank deposits | **(864.1)** | - |
| Withdrawal of short-term pledged bank deposits | **578.1** | - |
| Payments for lease liabilities (including interest) | **(1,480.6)** | (2,117.2) |
| Interest paid for bank borrowings | **(31.1)** | (22.4) |
| Dividends paid | **(2,666.6)** | (1,550.3) |
| **Net cash used in financing activities** | **(3,440.3)** | (4,494.4) |
| **Net increase in cash and cash equivalents** | **604.8** | 523.8 |
| Cash and cash equivalents at beginning of the year | **1,752.6** | 1,228.8 |
| **Cash and cash equivalents at end of the year** | **2,357.4** | 1,752.6 |

# 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 2023, no entity holds more than 50% equity interest in the Company and the directors of the Company considered there is no controlling party of the Company.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated and have been approved for issue by the Board on 23 May 2023.

## 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 except for financial asset at fair value through profit and loss, which is measured at fair value.

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) 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 2022:

- Narrow-scope amendments – Amendments to IFRS 3, IAS 16 and IAS 37
- Annual Improvements to IFRSs 2018 – 2020 Cycle – Annual Improvements

The adoption of these amended standards does not have significant impact on the consolidated financial statements of the Group.

**(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 1 March 2023 and have not been early adopted by the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

| | |
|---|---|
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current(2) |
| Amendments to IAS 1 | Non-current Liabilities with Covenants(2) |
| Amendments to IAS 1 and IFRS Practice Statement 2 | Disclosure of Accounting Policies(1) |
| Amendments to IAS 8 | Definition of Accounting Estimates(1) |
| Amendments to IAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction(1) |
| Amendments to IFRS 10 and IAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(3) |
| Amendments to IFRS 16 | Leases on Sale and Leaseback(2) |
| IFRS 17 | Insurance Contracts(1) |
| 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) |

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

(2) Effective for the Group for annual period beginning on 1 March 2024.

(3) Effective date to be determined.

The Group considers the lease as a single transaction in which the assets and liabilities are integrally linked. There is no net temporary difference at inception. Subsequently, when differences on settlement of the liabilities and the depreciation of right-of-use assets arise, there will be a net temporary difference on which deferred income tax is recognised. From the effective date of Amendments to IAS 12 on 1 March 2023, the Group will need to recognise a deferred income tax asset and a deferred income tax liability for the temporary differences arising on a lease on initial recognition.

## 3 Segment information

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

The chief operating decision-maker (the “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 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

## 4 Revenue

| | Year ended | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| Sale of goods | **26,844.3** | 31,574.5 |
| Concessionaire fee income | **174.9** | 236.0 |
| Others | **54.0** | 66.0 |
| | **27,073.2** | 31,876.5 |

## 5 Other income

| | Year ended | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| Government incentives (note) | **298.1** | 326.1 |
| Others | **0.4** | 1.2 |
| | **298.5** | 327.3 |

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

## 6 Expenses by nature

| | Year ended 28 February 2023 RMB million | Year ended 28 February 2022 RMB million |
|---|---|---|
| Cost of inventories recognized as expenses included in cost of sales | **15,773.2** | 18,003.4 |
| Staff costs | **2,890.5** | 3,463.7 |
| Lease expenses (mainly including concessionaire fee expenses) | **2,001.0** | 2,614.1 |
| Depreciation on right-of-use assets | **1,581.9** | 1,830.2 |
| Depreciation on property, plant and equipment | **609.1** | 667.2 |
| Amortization of intangible assets | **24.7** | 30.7 |
| Write-off of intangible assets | **1.9** | - |
| Write-off of property, plant and equipment | **4.9** | 6.3 |
| (Gain)/loss on disposal of property, plant and equipment | **(3.7)** | 1.3 |
| Impairment of inventories recognized as expenses included in cost of sales | **15.8** | 48.7 |
| Impairment of property, plant and equipment included in selling and distribution expenses | **8.3** | - |
| Impairment of right-of-use assets included in selling and distribution expenses | **69.8** | 39.0 |
| Other tax expenses | **88.5** | 115.9 |
| Auditors' remuneration | **5.9** | 5.2 |
| Others | **1,870.5** | 1,958.2 |
| Total cost of sales, selling and distribution expenses and general and administrative expenses | **24,942.3** | 28,783.9 |

## 7 Finance costs, net

| | Year ended 28 February 2023 RMB million | Year ended 28 February 2022 RMB million |
|---|---|---|
| Interest income from bank deposits | **104.0** | 78.9 |
| Exchange gains | **-** | 34.9 |
| Finance income | **104.0** | 113.8 |
| Interest expense on bank borrowings | **(31.1)** | (18.4) |
| Interest expense on lease liabilities | **(180.1)** | (199.4) |
| Exchange losses | **(1.3)** | - |
| Finance costs | **(212.5)** | (217.8) |
| Finance costs, net | **(108.5)** | (104.0) |

## 8 Income tax expense

| | Year ended | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| Current income tax - PRC corporate income tax | | |
| - Current year | **319.7** | 749.6 |
| - Under/(over)-provision in prior years | **3.3** | (3.3) |
| - Withholding tax | **231.4** | 45.8 |
| Deferred income taxes | **(68.6)** | 87.5 |
| Income tax expense | **485.8** | 879.6 |

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% (2022: 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% (2022: 25%) except that certain subsidiaries are subject to various 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 2023** | 28 February 2022 |
| Profit attributable to equity holders of the Company | RMB million | **1,836.6** | 2,446.5 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | thousand of shares | **6,201,222** | 6,201,222 |
| Basic earnings per share | RMB cents | **29.62** | 39.45 |

### (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 2023 and 2022.

## 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 six months ended 31 August 2021, which was paid and has been reflected as an appropriation of retained earnings for the year ended 28 February 2022.

(b) At a meeting held on 25 October 2022, the directors declared an interim dividend of RMB13.00 cents or equivalent to HK$13.78 cents per ordinary share (totaling RMB806.2 million) for the six months ended 31 August 2022, which was paid during the year ended 28 February 2023.

(c) 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, which were paid during the year ended 28 February 2023.

(d) At a meeting held on 23 May 2023, the directors recommended a final dividend of RMB5.00 cents or equivalent to HK$5.50 cents per ordinary share (totaling RMB310.1 million) and a special dividend of RMB15.00 cents or equivalent to HK$16.49 cents per ordinary share (totaling RMB930.2 million) for the year ended 28 February 2023. These proposed dividends are not reflected as dividend payable in the financial statements, but will be reflected in the year ending 28 February 2024.

## 11 Inventories

| | As at | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| Merchandise for sale | **6,382.5** | 6,805.6 |
| Less: provision for impairment losses | **(135.2)** | (119.4) |
| | **6,247.3** | 6,686.2 |

The cost of inventories amounting to RMB15,773.2 million (2022: RMB18,003.4 million) and the additional provision for impairment of inventories amounting to RMB15.8 million (2022: RMB48.7 million) were included in cost of sales during the year ended 28 February 2023.

## 12 Trade receivables

| | As at | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| Trade receivables | **1,061.2** | 1,114.7 |
| Loss allowance | **(6.3)** | (7.8) |
| | **1,054.9** | 1,106.9 |

The Group's concessionaire sales through department stores and sales through e-commerce platforms are generally collectible within 30 days and 15 days from the invoice date respectively. As at 28 February 2023, the aging analysis of trade receivables, based on invoice date, is as follows:

| | As at | |
|---|---|---|
| | **28 February 2023** | 28 February 2022 |
| | **RMB million** | RMB million |
| 0 to 30 days | **999.4** | 1,064.3 |
| 31 to 60 days | **49.2** | 40.0 |
| 61 to 90 days | **3.3** | 1.4 |
| Over 90 days | **9.3** | 9.0 |
| | **1,061.2** | 1,114.7 |
| Loss allowance | **(6.3)** | (7.8) |
| | **1,054.9** | 1,106.9 |

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 2023, the aging analysis of trade payables, based on invoice date, is as follows:

| | As at | |
|---|---|---|
| | **28 February 2023 RMB million** | 28 February 2022 RMB million |
| 0 to 30 days | **990.3** | 921.3 |
| 31 to 60 days | **0.6** | 3.9 |
| Over 60 days | **0.1** | 1.5 |
| | **991.0** | 926.7 |

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 2023 RMB million** | 28 February 2022 RMB million |
| Unsecured bank borrowings (note (a)) | **-** | 518.2 |
| Secured bank borrowing (note (b)) | **1,545.0** | - |
| | **1,545.0** | 518.2 |

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% per annum. The carrying amounts of the Group's short-term bank borrowings are denominated in HKD which approximate their fair values.

(b) As at 28 February 2023, RMB1,545.0 million borrowing were secured by the short-term pledged bank deposits of RMB286.0 million. The carrying amount is denominated in RMB which approximates its fair value. The borrowings carried interest at fixed rates with weighted average interest rate of 1.6% per annum.

# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

### *Remain Still and Targeted amid Unprecedented Market Headwinds*

I am very pleased to have this opportunity to share my thoughts with you. Last year, retail market in China was confronted with diverse and profound challenges as revealed. It was in many ways even the most volatile year among the past three years for domestic consumption demand as the result of the pandemic, while globally, many countries entered into interest rate hiking cycle with tightening monetary policies due to inflation. The situation appeared more intricate with intensified geopolitical tensions.

Encouragingly, support from national policies to sports sector was elevated further to overcome industry hurdles and generate opportunities, notwithstanding the overall constrained retail demand. In 2022, the sportswear industry obtained positive growth with distinct resiliency on demand, together with ample growth momentum from niche and segmented sports categories. As a double-edged sword and a touchstone, the sporadic pandemic outbreaks speed the growth for mass market demand, while also enlightening the obsession for high-end sports segments with healthy and inspiring pursuit on lifestyles, including favors towards niche sports. Sports market revealed in binary demand.

Although retail market conditions during the last financial year appeared as the most challenging ever since the beginning of the pandemic, we steadily adhered to the mindset of remaining still and targeted amid unprecedented market headwinds. As results-oriented by heading back to the retail essence, and as consumer-centric while prioritizing their preferences. We forged to think innovatively, but more vitally, to seize on changes with real values that enable us for sustainable future with prolonged potentials.

## BUSINESS REVIEW

### *Adhere to Certainties midst Uncertain Market Conditions*

The resiliency of Topsports enables us to navigate cyclical dynamics as we looking back at our more than twenty years of operations, together with the industry growth. We fortified our moat by revamping and evolving upon challenges. In order to confront the short-term volatilities, we applied rigorous risk control and recalibrated our existing retail operation capability. Meanwhile, we targeted consumer engagement in full-swing while unfolding our long-term strategic roadmap. By reinforcing our fundamental edges together with innovative efforts to comply with market variations, we steadily adhered to certainties midst the uncertain market conditions.

Retail is detail, concealed in every step related to our daily operations around the fundamental components of people, products, and marketplaces. In order to counter headwinds, this required us to be more detail-oriented and concise during our retail operations, and count on every effort to fortify our retail operation excellence.

### *Fortify the Foundations: Expand Consumption Occasions to Synergize Scale*

During the period, as offline traffic was hindered by pandemic resurgences, we leveraged omni-operation to mitigate the impact, which reflected our agility to seamlessly cater to ever-changing consumer needs. In terms of people, our store staff swiftly switched their capability to online mode, as consumption occasion shifted. Meanwhile, digital tool-kits and optimized work flows were applied to empower them in advancing user identification with quality services provided to our consumers. With regard to products, we advanced the efficient turnover by applying the products sharing mechanism across online and offline with more in-depth connectivity and enlarged coverage of SKUs. As for the place, we further extended the boundaries of consumer engagement, establishing an integrated and omnipresent network that covered occasions including brick-and mortar stores, traditional e-commerce platforms, social commerce and online private domain platforms. Meanwhile, with regard to differentiated metrics of each occasion, and on top of distinctive consumer attributes among each, we systematically formed our matrix of occasions with enhanced efficiency. That is based on more explicit and streamlined positioning of each occasion and echo to the overall strategic direction of the company.

Our targeted adjustments and the implementation of various measures in this financial year have yield fruitful results. Despite the curtailed offline traffic, our user scale continued to reach new height. In spite of total revenue decreased by 15.1% year-on-year to RMB27,073.2 million, retail online sales soared year-on-year, and the mix to total retail sales elevated to low-20%, with the sales growth of retail online private domain ranked atop among the performance of all.

### *Fortify the Foundation: Deepen Collaboration and Quality Driven*

In the financial year, we continued to prioritize efficiency, maintaining the strength of high-quality operational resilience. To overcome market volatilities and demand uncertainties, we worked consistently with our brand partners to surmount hurdles with deep concerted efforts, laying a solid foundation for the upcoming consumption recovery with healthy inventory status and efficient channel network.

For the channel development, factoring in pandemic disruptions and the evolvement of business districts and commercial areas, together with the strategy of “Select + Optimize”, we initiated tactical, forward-looking and efficiency focused optimization of our store network. As part of the effort, we dynamically evaluated the store productivity, strengthened “survival of the fittest” mechanism, accelerated the closure of inefficient stores, and prudently executed the opening of new ones. Our extensive experience in the operation of large format stores was applied to a wider spectrum in a stepwise manner, endeavoring to further elevate efficiency of the overall store network as the demand recovers. In general, our store network is evolving in parallel with stronger omni-operation and broader reach on single store base.

By 28 February 2023, we have 6,565 directly operated stores, with the total number of stores decreased by 14.7%, the gross selling area decreased by 6.8% year-on-year, as well as the single store selling area increased by 9.2%. Compared with 31 August 2022, the total number of stores decreased by 5.2%. The gross selling area decreased by 1.8%. As the trend indicated, the overall structural adjustment of retail stores was more concentrated in the first half of the financial year, and the curve gradually eased and trended down in the second half. Meanwhile, the selling area of each store continued to climb upward, and the reach of each store extended. This is in line with our plan in previous communications and align with market trend. From the results, the newly opened stores demonstrated significant superiority in productivity per store and per square meter against the closed ones, and the closure of which exerted a very limited impact on retail sales. Precise optimization of the store network also alleviated the impact of operating de-leverage as revenue declined year-on-year. For the full year, the selling and distribution expenses ratio was flat in general year-over-year.

**Changes in the number of our stores during the year:**

| | As at 28 / 29 February | | | |
|---|---|---|---|---|
| | 2020 | 2021 | 2022 | **2023** |
| Number of stores | | | | |
| At the beginning of the year | 8,343 | 8,395 | 8,006 | **7,695** |
| Opening of new stores | 1,416 | 713 | 906 | **429** |
| Closure of stores | (1,364) | (1,102) | (1,217) | **(1,559)** |
| Net increase/(decrease) in the number of stores | 52 | (389) | (311) | **(1,130)** |
| At the end of the year | 8,395 | 8,006 | 7,695 | **6,565** |

**Numbers and percentages of our stores by size:**

| | As at 28 / 29 February | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | 2022 | | **2023** | |
| | | % | | % | | % | | **%** |
| Store size: | | | | | | | | |
| 150 sq.m or smaller | 5,732 | 68.3% | 5,192 | 64.8% | 4,624 | 60.1% | **3,582** | **54.6%** |
| Between 150 and 300 sq.m | 2,051 | 24.4% | 2,064 | 25.8% | 2,082 | 27.0% | **1,927** | **29.3%** |
| Larger than 300 sq.m | 612 | 7.3% | 750 | 9.4% | 989 | 12.9% | **1,056** | **16.1%** |
| Total | 8,395 | 100.0% | 8,006 | 100.0% | 7,695 | 100.0% | **6,565** | **100.0%** |

Against the volatile retail environment, dynamic inventory management continued throughout the past financial year. As a result of our business acumen after years of front-line retail experience, and the pre-emptive preparations, we were able to develop sharper perceptions and take actions accordingly. In the face of industry supply redundancy as a result of volatile demand, while expanding the efficient product turnover across all channels, we worked with our brand partners to replenish inventory in line with channel development and consumer demand. In the meantime, we accelerated the destocking process, and thus maintained a healthy inventory turnover ratio. As of 28 February 2023, the inventory amount decreased by 6.6% from 28 February 2022 and 2.4% from 31 August 2022, matching the year-on-year and half-on-half movements of our total selling area.

Meanwhile, we were fully aware that a healthy inventory base is the prerequisite for seizing opportunities in the coming prospect of demand recovery. In the first half of the financial year, the regional lockdown temporarily disrupted the inventory turnover of that period. Therefore, in the second half of the financial year, we initiated corresponding promotion and inventory clearance based on the market dynamics. As of 28 February 2023, the mix of new products within 6 months has significantly improved compared with 31 August 2022, and attained a healthy and reasonable level. We have now a robust foundation to embrace the prospective demand recovery.

### *Fortify the Foundation: Extend User Engagement with Precise Operation*

Consumers consistently remains as our core asset. Even in the case of a volatile condition, we still took this as our proposition to be consistently fine-tuned. The rapid and ever-changing consumer demand drove us to shift from the mindset of focusing on user acquisition to user-value operation oriented. This leads us to omni-operation with refined user segmentation, so that would enable us to further enhance our capability to identify, access, operation and better serve our users. While achieving a breakthrough in the user scale, we explored the needs of high-value user groups with a focus on boosting user stickiness and loyalty.

In the financial year, we devised diversified tools for user acquisition based on differentiated user profiles under various occasions and channels and activated existing users while expanding the scale. Combined with user stratification and differentiated offerings of benefits, more engagement touch-points were added through the entire consumer journey to drive conversion. Through “99 Membership Month”, “New Year Shopping Festival” and other marketing activities, we identified effective opportunities for user communication, enriched the benefits and values for members, to motivate membership upgrade and member activeness.

From the results, despite various consumption headwinds, the overall user scale continued to expand, along with steady contribution from re-purchased members, as well as retention of high-value users. As of 28 February 2023, we operated more than 5,000 WeCom Accounts for our stores nationwide and have more than 40,000 WeChat groups, a significant leap forward year-on-year. Our cumulative number of users has reached 67.9 million, an increase of 18.1% year-on-year. For the whole financial year, the proportion of total retail sales (including VAT) contributed by members was 94.0%, maintaining a high and steady contribution. The mix of sales from re-purchased members to the overall sales contributed by members also remained stable at more than 70%. During this period, we especially tapped the potential of high-value members. The number of high-value members accounted for only a mid-single-digit of total members, but their sales contribution to overall sales contributed by members reached nearly forty percent. Their ARUP was significantly higher than the overall average of total members, and their consumption potential and stickiness were more prominent than ordinary ones. Regarding the conversion from private domain based on social communities, as of 28 February 2023, the contribution of online private domain doubled compared with the same period last year, effectively alleviating the impact of the pandemic on offline traffic.

| | As at | | | |
|---|---|---|---|---|
| | 31 August 2021 | 28 February 2022 | 31 August 2022 | **28 February 2023** |
| Cumulative number of our users* (Million) | 48.2 | 57.5 | 62.9 | **67.9** |
| Total in-store retail sales value (inclusive of VAT) contributed by members during the period# | 95.5% | 95.7% | 94.4% | **94.0%** |

* *Users include members and potential members (i.e. non-member WeChat followers)*
\# *“During the period” is defined as the interim results as of 31 August and the annual results as of 28 February.*

### *Lay Out Long-term Roadmap to Achieve Consumer Companionship at Full-Scale as Looking Ahead*

We highly value every conversation with our consumers and aim to achieve a more comprehensive and in-depth relationship of long-term engagement and companionship with them; for this, we have tailored our strategy to expand the depth and broadness of our consumer engagement and interaction in both vertical and horizontal dimensions to better explore their value and potential.

Vertically, we aim to establish more integrated retail capability across multiple operation segments, and among every portion of the value chain associated with consumer journey. We have made dedicated effort to curate and distribute content through our Topsports official social media accounts to uncover potential demand and keep up-to-date with trending topics, implemented product recommendations on platforms including Xiaohongshu (小紅書) and Douyin (抖音), and incubated proprietary IPs and partnered with external resources all for the purpose of fostering a deep level of resonance that lends to a perception by consumers that supersedes the boundaries of the traditional consumer experience and allows engagement with them across more enriched dimensions.

Horizontally, we have continued to attenuate ourselves to the interests of new generation consumers and have expanded our business strategy and extended our conversation with existing consumers with the goal of continual retention. Within the sporting category, we have continued to focus on and strategize in niche sporting sub-segments that demonstrate potentials. In the meantime, we have also committed ourselves to stay updated on topics that are trendy among younger generations on a day-to-day basis, such as pop culture and e-Sports.

### *Create Shareholder Value through Operational Excellence*

As a result of successful implementation of the above business initiatives, we have maintained healthy robustness in both cash generation capability, as well as sufficient and quality capital reserves despite market uncertainties. As of 28 February 2023, our bank balances and cash amounted to RMB2,357.4 million, marking an increase of 34.5% year-on-year. This core strength has also underpinned Topsports' ability to navigate cyclical dynamics and maintain its industry-leading scale and efficiency.

Despite a year-on-year revenue decline of 15.1%, our profit margin attributable to equity holders has decreased only slightly by 0.9 percentage points to 6.8%. In the meantime, our efficient working capital management coupled with generous support from our brand partners has led to RMB4,350.7 million of net cash generated from operations of and a free cash flow of RMB3,995.5 million. In view of such, the Board has recommended a final dividend of RMB5.00 cents per ordinary share and a special dividend of RMB15.00 cents per ordinary share for the financial year ended 28 February 2023, which, together with the interim dividend of RMB13.00 cents per ordinary share, amounts to a total dividend of RMB33.00 cents per ordinary share for the financial year ended 28 February 2023, representing a payout ratio of 111.4%. Once again, our operational excellence has served as a solid foundation for our focus on shareholder returns, and has continued to generate consistent value for shareholders even amidst the volatile market environment.

## IMPLEMENT SOCIAL RESPONSIBILITY THROUGH SUSTAINABLE DEVELOPMENT

We at Topsports are keenly aware that corporate sustainability will eventually become the core focus for all industries looking ahead. As such, we are constantly reflecting upon our role in society and are actively exercising social responsibility in all areas to promote and create long-term value.

In terms of corporate social responsibility, we have been actively committed to creating diverse work force despite the impact of the pandemic. In line with our talent training concept of Empowering Corporate Development through Operational Focus, we highly emphasized on the long-term development of our employees. We have also actively participated in public welfare activities, including making a prompt community donation of over RMB one million equivalent in materials for combating pandemic during the Shanghai lockdown in April 2022, while hundreds of our employees served the community and defended livelihood by contributing their strength as taskforce leads and volunteers. In November of the same year, we donated materials to Wenshan Prefecture in Yunnan Province to assist in local rural revitalization projects.

We highly value the CSR performance of our partners with a view to jointly promoting sustainable development of the supply chain and have incorporated into our assessment for suppliers metrics for performance in areas including environmental protection and anti-fraud. Where other conditions are equal, we prioritize partnerships with suppliers that hold environmental protection-related qualifications and certifications, as well as prioritize usage of green and recyclable products to reduce the environmental impact of procurement activities. With respect to self-management, our retail stores across the country have completely adopted the usage of 100% biodegradable kraft paper shopping bags made of wood pulp and maintain precision control over the order volume of paper bags through our self-tailored online paper bag management system.

As the largest sportswear retailer in China, Topsports carry out the role of being the last touch-point throughout the whole consumer engagement among industry chain. As such, it is our incumbent mission to communicate the importance of resource recycling and a low-carbon lifestyle to consumers. To this end, we have launched the Topsports Public Forest project alongside its affiliate "Textile Recycling for a Greener Planet" campaign on Feimayi, one of China's largest recycling platforms, pledging to plant 666 square meters of black saxaul saplings in Minqin County, Gansu Province for every 5,000 kilograms of clothing recycled to support local ecological protection. By encouraging consumers to recycle used clothes, the campaign aims to lead a trend of green consumption and foster a new popular practice of a low-carbon lifestyle and business for good. On the occasion of World Oceans Day 2022 and the 15th National Oceans Awareness Day, Top eSports and its roster of celebrity players joined forces with the World Wildlife Fund to promote conservation of marine environments and biodiversity, advocating for the "Conservation Together: Protecting Oceans and Marine Life" charity event and calling upon the public to pool their collective effort into safeguarding the sanctity of the Earth's blue oceans through a myriad of small but actionable undertakings.

Moving forward, high quality and sustainable development will continue to guide the direction of our ESG management in the long-term. By adopting ESG goals that are most suitable to our circumstances, we aim to maximally unlock our company's social value through the best means possible. To this end, we strive to expedite as well as deepen our prospecting into the future for that may guide us on a course of consistent and sustainable development.

## OUTLOOK

### *Stay Optimistic and Confident: Standing by what's Difficult but Right*

As moving into the new financial year, the pandemic-induced pressure on the retail environment has gradually eased, in addition to rebound of market demand. On behalf of our company, I would hereby like to express my sincere gratitude to our consumers, employees, brands and other partners for all the trust and support that they have generously rendered us through the tough past.

Looking back on the impact of the pandemic throughout the past three years, it has become apparent to us that greater uncertainty begets greater need to seek valuable changes. Looking to the future, we remain humbly vigilant, stay nimble with forward-looking agility, and will, as always, remain committed to our long-term core strategy while focusing on the following development initiatives, responding to uncertainties in the external environment with our own certain, unwavering effort. With optimism and confidence, we at Topsports will remain steadfast in our vision and aspiration, continue to pursue robust, sustainable, high-quality development, and create even greater value for our consumers, shareholders, partners and society.

### *Future Initiatives*

- Optimize omni-retail matrix with efficiency driven, so as to recalibrate operation capability across multiple occasions
- Refine and revamp user operations from acquisition-centric to value-centric
- Strengthen our digital empowerment with "Precision + Efficiency"
- Foster integrated retail capability across multiple operation segments, in an attempt to be valued by consumers for creating and promoting joyful and healthy lifestyles
- Promptly implement Corporate ESG responsibilities for long-term sustainable development

## FINANCIAL REVIEW

For the year ended 28 February 2023, the Group recorded revenue of RMB27,073.2 million, a decrease of 15.1% compared with that of the year ended 28 February 2022. The Group recorded operating profit of RMB2,430.9 million, a decrease of 29.1% compared with that of the year ended 28 February 2022. The profit attributable to the Company's equity holders during the year amounted to RMB1,836.6 million, a decrease of 24.9% compared with that of the year ended 28 February 2022.

## REVENUE

The Group's revenue decreased by 15.1%, from RMB31,876.5 million for the year ended 28 February 2022 to RMB27,073.2 million for the year ended 28 February 2023. The decline was mainly due to dwindled offline traffic under pandemic resurgence and related regional lockdown, as well as weak consumption momentum in general during the year. 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 2023** | | 28 February 2022 | | |
| | **Revenue** | **% of total** | Revenue | % of total | Decline rate |
| Principal brands* | **23,324.0** | **86.2%** | 27,569.3 | 86.5% | 15.4% |
| Other brands* | **3,520.3** | **13.0%** | 4,005.2 | 12.6% | 12.1% |
| Concessionaire fee income | **174.9** | **0.6%** | 236.0 | 0.7% | 25.9% |
| e-Sports income | **54.0** | **0.2%** | 66.0 | 0.2% | 18.2% |
| Total | **27,073.2** | **100.0%** | 31,876.5 | 100.0% | 15.1% |

*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, NBA 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 2023** | | 28 February 2022 | | |
| | **Revenue** | **% of total** | Revenue | % of total | Decline rate |
| Retail operations | **22,686.5** | **83.8%** | 26,354.3 | 82.7% | 13.9% |
| Wholesales operations | **4,157.8** | **15.4%** | 5,220.2 | 16.4% | 20.4% |
| Concessionaire fee income | **174.9** | **0.6%** | 236.0 | 0.7% | 25.9% |
| e-Sports income | **54.0** | **0.2%** | 66.0 | 0.2% | 18.2% |
| Total | **27,073.2** | **100.0%** | 31,876.5 | 100.0% | 15.1% |

*Unit: RMB million*

## PROFITABILITY

The Group's operating profit decreased by 29.1% to RMB2,430.9 million for the year ended 28 February 2023. The profit attributable to the Company's equity holders decreased by 24.9% to RMB1,836.6 million for the year ended 28 February 2023.

| | Year ended | | |
|---|---|---|---|
| | **28 February 2023** | 28 February 2022 | Decline rate |
| Revenue | **27,073.2** | 31,876.5 | 15.1% |
| Cost of sales | **(15,789.0)** | (18,052.1) | 12.5% |
| Gross profit | **11,284.2** | 13,824.4 | 18.4% |
| Gross profit margin | **41.7%** | 43.4% | |

*Unit: RMB million*

Cost of sales decreased by 12.5% from RMB18,052.1 million for the year ended 28 February 2022 to RMB15,789.0 million for the year ended 28 February 2023. Gross profit of the Group decreased by 18.4% to RMB11,284.2 million for the year ended 28 February 2023 from RMB13,824.4 million for the year ended 28 February 2022.

During the year, the gross profit margin of the Group was 41.7%, decreased by 1.7 percentage points, from 43.4% for the year ended 28 February 2022. The decrease in gross profit margin primarily resulted in reasonable and appropriate markdown method to deal with industry inventory clearance, due to excessive supply of the sector weigh on weak market demand. As of 28 February 2023, the inventory decreased by 6.6% to RMB6,247.3 million as compared with RMB6,686.2 million as at 28 February 2022 and decreased by 2.4% half-on-half as compared with 31 August 2022.

Selling and distribution expenses for the year ended 28 February 2023 were RMB8,051.9 million (2022: RMB9,438.5 million), accounting for 29.7% of the Group's revenue (2022: 29.6%). The selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Decrease in selling and distribution expenses primarily attributable to optimization of store network and organization structure resulting in a decrease in concessionaire and lease expenses, staff costs, depreciation of right-of-use assets and other depreciation.

General and administrative expenses for the year ended 28 February 2023 were RMB1,101.4 million (2022: RMB1,293.3 million), accounting for 4.1% of the Group's revenue (2022: 4.1%). 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. Decrease in general and administrative expenses primarily due to decrease in staff costs, other tax expenses and travelling expenses during the year.

In the position of declining revenue, selling and distribution expenses and general and administrative expenses as a percentage of the Group's revenue were approximately flat compared with last year primarily due to precise optimization of store network and continue to control expenses efficiently and prudently to reduce the negative impact of the operating de-leverage.

Finance income decreased from RMB113.8 million for the year ended 28 February 2022 to RMB104.0 million for the year ended 28 February 2023. Decrease in finance income was mainly due to the absence of exchange gains during the year, partly offset by increase in interest income, as the average balance of bank deposits for the year ended 28 February 2023 was higher than last year.

Finance costs decreased from RMB217.8 million for the year ended 28 February 2022 to RMB212.5 million for the year ended 28 February 2023, primarily as a result of decrease in interest expenses on lease liabilities for the year ended 28 February 2023, partly offset by more interest expenses of short-term borrowings incurred, as the average balance of short-term borrowings was higher than last year .

Income tax expense for the year ended 28 February 2023 amounted to RMB485.8 million (2022: RMB879.6 million). The effective income tax rate decreased by 5.5 percentage points to 20.9% for the year ended 28 February 2023 from 26.4% for the year ended 28 February 2022 was attributable to the change in the relative profitability of the companies within the Group. 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 2023 amounted to RMB298.5 million (2022: RMB327.3 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 2023, the total capital expenditure was RMB355.2 million (2022: RMB701.6 million).

## BASIC EARNINGS PER SHARE

Basic earnings per share for the year ended 28 February 2023 decreased by 24.9% to RMB29.62 cents from RMB39.45 cents for the year ended 28 February 2022.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB1,836.6 million for the year ended 28 February 2023 (2022: RMB2,446.5 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2022: 6,201,222,024 shares).

| | | **Year ended** | |
|---|---|---|---|
| | | **28 February 2023** | 28 February 2022 |
| Profit attributable to the Company's equity holders | RMB million | **1,836.6** | 2,446.5 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | thousand of shares | **6,201,222** | 6,201,222 |
| Basic earnings per share | RMB cents | **29.62** | 39.45 |

## LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations decreased by RMB1,350.8 million to RMB5,241.5 million for the year ended 28 February 2023 from RMB6,592.3 million for the year ended 28 February 2022.

Net cash used in investing activities for the year ended 28 February 2023 was RMB305.6 million (2022: net cash used in RMB671.3 million). During the year, the Group invested RMB357.0 million on payments for purchases of property, plant and equipment and intangible assets, payment for purchase of financial assets at fair value through profit or loss of RMB20.0 million and placement of other bank deposits of RMB551.0 million, offset by proceeds from disposals of property, plant and equipment of RMB5.4 million, withdrawal of other bank deposits of RMB551.0 million and interest received of RMB66.0 million.

During the year, net cash used in financing activities was RMB3,440.3 million (2022: net cash used in RMB4,494.4 million), mainly due to the repayments of bank borrowings of RMB1,571.0 million, placement of short-term pledged bank deposits of RMB864.1 million, payments for lease liabilities (including interest) of RMB1,480.6 million, payments of the 2021/22 final dividend of RMB434.1 million and special dividend of RMB1,426.3 million and payments of the 2022/23 interim dividend of RMB806.2 million by the Group during the year, partly offset by proceeds from bank borrowings of RMB2,595.0 million and withdrawal of short-term pledged bank deposits of RMB578.1 million.

As at 28 February 2023, the Group held bank balances and cash and short-term pledged bank deposits totaling RMB3,643.4 million, after netting off the short-term borrowings of RMB1,545.0 million, it was in a net cash position of RMB2,098.4 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.

## GEARING RATIO

As at 28 February 2023, 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 (2022: net cash position) and the aggregate balances of long-term pledged bank deposits, short-term pledged bank deposits and bank balances and cash exceeded the total balance of short-term borrowings by RMB2,098.4 million (2022: RMB2,234.4 million).

## PLEDGE OF ASSETS

As at 28 February 2023, except for the short-term pledged bank deposits of RMB1,286.0 million, no assets were pledged as security for banking facilities available to the Group.

## CONTINGENT LIABILITIES

As at 28 February 2023, the Group had no material contingent liabilities.

## HUMAN RESOURCES

As at 28 February 2023, the Group had a total of 30,978 employees (2022: 40,913 employees). For the year ended 28 February 2023, total staff cost was RMB2,890.5 million (2022: RMB3,463.7 million), accounting for 10.7% (2022: 10.9%) 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

## FINAL DIVIDEND AND SPECIAL DIVIDEND

The board of directors of the Company (the "Board") recommended the payment of a final dividend for the year ended 28 February 2023 of RMB5.00 cents per ordinary share (the "Final Dividend") (2022: RMB7.00 cents), totaling RMB310.1 million (2022: RMB434.1 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 RMB15.00 cents per ordinary share (the "Special Dividend", together with the Final Dividend, the "Dividends") (2022: RMB23.00 cents), totaling RMB930.2 million (2022: 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$1.0990) as quoted by the Hong Kong Association of Banks on Tuesday, 23 May 2023, being the date on which the Dividends are recommended by the Board. Accordingly, the amount of the Final Dividend and Special Dividend are HK$5.50 cents and HK$16.49 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 Friday, 21 July 2023. The notice of the AGM will be sent to shareholders on Tuesday, 20 June 2023.

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 Tuesday, 18 July 2023 to Friday, 21 July 2023 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 Monday, 17 July 2023.

(b) The Dividends will be payable on or about Thursday, 24 August 2023 to the shareholders whose names appear on the register of members of the Company on Monday, 7 August 2023. For the purpose of ascertaining shareholder's eligibility for the Dividends, the register of members of the Company will be closed from Thursday, 3 August 2023 to Monday, 7 August 2023, 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 Wednesday, 2 August 2023.

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.

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 2023, save for the previous code provision C.1.6 of the CG Code as disclosed below.

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders. Mr. HUA Bin, an independent non-executive Director, did not attend the annual general meeting held on 1 August 2022 due to other engagements.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (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 2023.

## AUDIT COMMITTEE

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

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

The Audit Committee and the external auditor have reviewed the audited consolidated financial statements of the Group for the year ended 28 February 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

## SCOPE OF WORK OF THE AUDITOR ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 28 February 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## 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. 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. 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.

## 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.

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

Hong Kong, 23 May 2023

*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, Mr. SHENG Baijiao, Mr. SHENG Fang, Ms. YUNG Josephine Yuen Ching and Ms. HU Xiaoling as Non-executive Directors and Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor as Independent Non-executive Directors.*

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