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

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

FINANCIAL HIGHLIGHTS

		Unaudited Six months ended 31 August	
		2023	2022
Revenue	RMB million	**14,176.5**	13,218.0
Gross profit	RMB million	**6,340.8**	6,030.7
Operating profit	RMB million	**1,725.9**	1,580.5
Profit attributable to the Company's equity holders	RMB million	**1,337.2**	1,145.4
Gross profit margin	%	**44.7**	45.6
Operating profit margin	%	**12.2**	12.0
Profit margin attributable to the Company's equity holders	%	**9.4**	8.7
Earnings per share – basic and diluted	RMB cents	**21.56**	18.47
Dividend per share			
- interim	RMB cents	**16.00**	13.00
Average trade receivables turnover period	days	**14.8**	16.4
Average trade payables turnover period	days	**17.1**	16.4
Average inventory turnover period	days	**140.9**	167.6

		Unaudited As at 31 August 2023	Audited As at 28 February 2023
Gearing ratio	%	**Net cash**	Net cash
Current ratio	times	**2.8**	2.3

INTERIM RESULTS

The board of directors (the "Board" or "Directors") of Topsports International Holdings Limited (the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 August 2023, together with comparative information for the same period of 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

		Unaudited	
		Six months ended 31 August	
		2023	2022
	Note	**RMB million**	RMB million
Revenue	4	**14,176.5**	13,218.0
Cost of sales	6	**(7,835.7)**	(7,187.3)
Gross profit		**6,340.8**	6,030.7
Selling and distribution expenses	6	**(4,110.1)**	(4,090.8)
General and administrative expenses	6	**(552.5)**	(574.3)
Reversal of impairment of trade receivables		**1.5**	1.5
Other income	5	**46.2**	213.4
Operating profit		**1,725.9**	1,580.5
Finance income		**59.6**	48.6
Finance costs		**(77.9)**	(111.3)
Finance costs, net	7	**(18.3)**	(62.7)
Profit before income tax		**1,707.6**	1,517.8
Income tax expense	8	**(370.9)**	(372.4)
Profit for the period		**1,336.7**	1,145.4
Attributable to:			
Equity holders of the Company		**1,337.2**	1,145.4
Non-controlling interests		**(0.5)**	-
		1,336.7	1,145.4
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company during the period			
Basic and diluted earnings per share	9	**21.56**	18.47

CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Unaudited Six months ended 31 August **2023** **RMB million**	 2022 RMB million
Profit for the period	**1,336.7**	1,145.4
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences	**38.0**	29.1
Total comprehensive income for the period	**1,374.7**	1,174.5
Attributable to:		
Equity holders of the Company	**1,375.2**	1,174.5
Non-controlling interests	**(0.5)**	-
	1,374.7	1,174.5

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 AUGUST 2023

	Note	**Unaudited As at 31 August 2023 RMB million**	Audited As at 28 February 2023 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment		**661.5**	733.2
Right-of-use assets		**1,982.9**	2,424.6
Intangible assets		**1,068.8**	1,073.4
Long-term deposits, prepayments and other receivables		**229.6**	249.3
Financial asset at fair value though profit or loss		**40.9**	-
Deferred income tax assets		**196.7**	238.9
		4,180.4	4,719.4
Current assets			
Inventories	11	**5,753.7**	6,247.3
Trade receivables	12	**1,225.8**	1,054.9
Deposits, prepayments and other receivables		**946.0**	1,135.7
Financial asset at fair value though profit or loss		**-**	20.0
Short-term pledged bank deposits		**246.0**	1,286.0
Bank balances and cash		**3,148.2**	2,357.4
		11,319.7	12,101.3
Total assets		**15,500.1**	16,820.7
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,205.9**	1,481.4
Deferred income tax liabilities		**303.9**	237.4
		1,509.8	1,718.8

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 AUGUST 2023

	Note	**Unaudited As at 31 August 2023 RMB million**	Audited As at 28 February 2023 RMB million
Current liabilities			
Trade payables	13	**464.0**	991.0
Other payables, accruals and other liabilities		**1,312.0**	1,191.5
Short-term borrowings	14	**840.0**	1,545.0
Lease liabilities		**910.7**	1,180.7
Current income tax liabilities		**492.4**	360.1
		4,019.1	5,268.3
Total liabilities		**5,528.9**	6,987.1
Net assets		**9,971.2**	9,833.6
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**-**	-
Other reserves		**1,782.4**	1,741.7
Retained earnings		**8,186.1**	8,091.9
		9,968.5	9,833.6
Non-controlling interests		**2.7**	-
Total equity		**9,971.2**	9,833.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2023

	Unaudited Six months ended 31 August	
	2023	2022
	RMB million	RMB million
Cash flows from operating activities		
Net cash generated from operations	**2,680.7**	2,133.7
Income tax paid	**(129.9)**	(516.8)
Net cash generated from operating activities	**2,550.8**	1,616.9
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible assets	**(187.0)**	(143.1)
Payments for acquisition of investments in subsidiary	**(2.5)**	-
Proceeds from disposals of property, plant and equipment	**1.3**	0.3
Placement of other bank deposits	**(1,058.9)**	(551.0)
Withdrawal of other bank deposits	**1,058.9**	551.0
Payment for purchase of financial asset at fair value through profit or loss	**(40.9)**	(20.0)
Proceeds from disposal of financial asset at fair value through profit or loss	**20.0**	-
Interest received	**165.5**	29.9
Net cash used in investing activities	**(43.6)**	(132.9)
Cash flows from financing activities		
Proceeds from short-term borrowings	**840.0**	2,028.0
Repayments of short-term borrowings	**(1,545.0)**	(518.2)
Placement of short-term pledged bank deposits	**(246.0)**	(578.4)
Withdrawal of short-term pledged bank deposits	**1,286.0**	-
Payments for lease liabilities (including interest)	**(801.3)**	(615.2)
Interest paid for bank borrowings	**(9.8)**	(15.8)
Dividends paid	**(1,240.3)**	(1,860.4)
Net cash used in financing activities	**(1,716.4)**	(1,560.0)
Net increase/(decrease) in cash and cash equivalents	**790.8**	(76.0)
Cash and cash equivalents at beginning of the period	**2,357.4**	1,752.6
Cash and cash equivalents at end of the period	**3,148.2**	1,676.6

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 Company was incorporated in the Cayman Islands on 5 September 2018 as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, Cap.22, (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

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 31 August 2023, no party holds more than 50% equity interest in the Company.

The condensed consolidated interim financial information is presented in Renminbi ("RMB") and all values are rounded to the nearest 0.1 million ("RMB0.1 million") except when otherwise indicated.

The condensed consolidated interim financial information for the six months ended 31 August 2023 is unaudited and has been reviewed by the external auditor of the Company. The condensed consolidated interim financial information was approved for issue by the Board of Directors on 18 October 2023.

2 Basis of preparation and accounting policies

The condensed consolidated interim financial information for the six months ended 31 August 2023 has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the consolidated financial statements for the year ended 28 February 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 28 February 2023, except as mentioned below.

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

(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 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2 (note ii)	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12 (note i)	Deferred tax related to assets and liabilities arising from a single transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

2 Basis of preparation and accounting policies (Continued)

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

Note:

(i) Deferred tax related to assets and liabilities arising from a single transaction

The Group has changed its accounting policies following the adoption of Amendments to IAS 12 and has applied retrospectively to lease transactions that occurred on or after 1 March 2022, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently, whereas the Group previously accounted for the assets and liabilities arising from a single transaction as a whole and accordingly temporary differences relating to the relevant assets and liabilities were assessed on a net basis.

Upon the adoption, the Group recognized the following deferred income tax assets and deferred income tax liabilities for the temporary differences arising on lease transactions that gave rise the taxable and deductible temporary differences associated with lease liabilities and right-of-use assets on a gross basis, however, there is no impact on the Group's consolidated balance sheet as the related deferred tax assets and liabilities continues to offset for the purpose of presentation on the balance sheet.

	As at 28 February 2023 RMB million	As at 1 March 2022 RMB million
Deferred income tax assets on lease liabilities	665.5	764.1
Deferred income tax liabilities on right-of-use assets	606.2	774.9

There is also no impact on the Group's performance and the retained earnings at the earliest period presented.

(ii) Disclosure of Accounting Policies

The Group has applied Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies" which are effective for the Group's annual period beginning on 1 March 2023 for the preparation of the Group's consolidated financial statements for the year ending 29 February 2024.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2 Basis of preparation and accounting policies (Continued)

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

(ii) Disclosure of Accounting Policies (Continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement. The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's consolidated financial statements for the year ending 29 February 2024.

Except for Amendments to IAS 12, the adoption of these new and amended standards does not have significant impact on the condensed consolidated interim financial statements of the Group.

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

A number of new standards, amendments to existing standards and interpretation have been published that are not mandatory for reporting period beginning 1 March 2023 and have not been early adopted by the Group:

Amendments to IAS 1	Classification of Liabilities as Current or Non-current(1)
Amendments to IFRS 16	Leases on sale and leaseback(1)
Amendments to IAS 1	Non-current liabilities with covenants(1)
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements(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(1)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(2)

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

(2) Effective date to be determined.

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

3 Segment information

The Group is principally engaged in sales of sportswear products and leasing commercial spaces to other retailers 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 31 August 2023 and 28 February 2023, substantially all of the non-current assets of the Group were located in the PRC.

4 Revenue

	Six months ended 31 August	
	2023	2022
	RMB million	RMB million
Sale of goods	**14,068.2**	13,101.6
Concessionaire fee income	**86.8**	91.1
Others	**21.5**	25.3
	14,176.5	13,218.0

5 Other income

	Six months ended 31 August	
	2023	2022
	RMB million	RMB million
Government incentives (note)	**38.4**	213.2
Others	**7.8**	0.2
	46.2	213.4

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

6 Expenses by nature

	Six months ended 31 August	
	2023	2022
	RMB million	RMB million
Cost of inventories recognized as expenses included in cost of sales	**7,824.2**	7,167.5
Staff costs	**1,413.4**	1,488.0
Lease expenses (mainly including concessionaire fee expenses)	**1,315.4**	1,053.8
Depreciation on right-of-use assets	**567.0**	771.6
Depreciation on property, plant and equipment	**255.4**	334.5
Amortization of intangible assets	**11.2**	12.9
Gain on disposal of right-of-use assets (included in selling and distribution expenses)	**(24.6)**	(7.1)
Loss on disposal of property, plant and equipment	**0.4**	0.4
Write-off of property, plant and equipment	**1.6**	5.1
Net impairment of inventories recognized as expenses included in cost of sales (Note 11)	**11.5**	19.8
Impairment on right-of-use assets (included in selling and distribution expenses)	**88.1**	43.3
(Reversal of)/provision for impairment on property, plant and equipment	**(5.8)**	14.8
Other tax expenses	**54.5**	40.1
Others	**986.0**	907.7
Total cost of sales, selling and distribution expenses and general and administrative expenses	**12,498.3**	11,852.4

7 Finance costs, net

	Six months ended 31 August	
	2023	2022
	RMB million	RMB million
Interest income from bank deposits	**59.6**	48.6
Finance income	**59.6**	48.6
Interest expense on bank borrowings	**(10.9)**	(15.9)
Interest expense on lease liabilities	**(67.0)**	(91.2)
Exchange losses, net	**-**	(4.2)
Finance costs	**(77.9)**	(111.3)
Finance costs, net	**(18.3)**	(62.7)

8 Income tax expense

	Six months ended 31 August 2023 RMB million	2022 RMB million
Current income tax - PRC corporate income tax		
- Current period	**256.4**	312.8
- Under/(over)-provision in prior years	**2.0**	(11.7)
- Withholding tax	**3.8**	133.9
Deferred income taxes	**108.7**	(62.6)
	370.9	372.4

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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (six months ended 31 August 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 period, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 31 August 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 period.

		Six months ended 31 August 2023	2022
Profit for the period attributable to equity holders of the Company	RMB million	**1,337.2**	1,145.4
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	**21.56**	18.47

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share during the six months ended 31 August 2023 and 2022.

10 Dividends

(a) At a meeting held on 18 October 2023, the directors declared an interim dividend of RMB16.00 cents or equivalent to HK$16.89 cents per ordinary share (totaling RMB992.2 million) for the year ending 29 February 2024, which was declared after the end of the reporting period is not reflected as dividend payable in the interim financial information.

(b) 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, which were paid during the six months ended 31 August 2023.

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

(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, which was paid during the six months ended 31 August 2022.

11 Inventories

	As at 31 August 2023 RMB million	As at 28 February 2023 RMB million
Merchandise for sale	**5,900.4**	6,382.5
Less: provision for impairment losses	**(146.7)**	(135.2)
	5,753.7	6,247.3

The cost of inventories amounting to RMB7,824.2 million (six months ended 31 August 2022: RMB7,167.5 million) and the changes in provision for impairment of inventories amounting to RMB11.5 million (six months ended 31 August 2022: RMB19.8 million) were included in cost of sales during the period ended 31 August 2023.

12 Trade receivables

	As at 31 August 2023 RMB million	As at 28 February 2023 RMB million
Trade receivables	**1,230.6**	1,061.2
Loss allowance	**(4.8)**	(6.3)
	1,225.8	1,054.9

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 31 August 2023, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 August 2023 RMB million	As at 28 February 2023 RMB million
0 to 30 days	**1,023.3**	999.4
31 to 60 days	**185.5**	49.2
61 to 90 days	**3.1**	3.3
Over 90 days	**18.7**	9.3
	1,230.6	1,061.2
Loss allowance	**(4.8)**	(6.3)
	1,225.8	1,054.9

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

	As at 31 August 2023 RMB million	As at 28 February 2023 RMB million
0 to 30 days	**461.7**	990.3
31 to 60 days	**-**	0.6
Over 60 days	**2.3**	0.1
	464.0	991.0

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 31 August 2023 RMB million	As at 28 February 2023 RMB million
Secured bank borrowings (note)	**840.0**	1,545.0

Note: As at 31 August 2023, borrowings of RMB840.0 million (28 February 2023: RMB1,545.0 million) were secured by the short-term pledged bank deposits of RMB246.0 million (28 February 2023: 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% (28 February 2023: 1.6%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Capitalizing on Consumption and Occasion Recovery to Regain High-quality Omnipresent Growth

Since the start of the new financial year, China's economy and society have gradually resumed to normalcy, with the state rolling out various policies to stimulate domestic demand and unleashing the potentials. The resurgence of the retail condition is steering the economy with ascending trend, albeit the overall non-linear recovery pace. In the first half of 2023, China's GDP grew by 5.5% YoY, outpacing the growth rate seen in 2022. Furthermore, the contribution mix of consumer spending to economic growth has surpassed that of the same period last year.

The sports industry was rejuvenated by supports from favorable policies and demand recovery, plus the rebound of vigorous physical sports events hold post-pandemic. According to data from the website of China Marathon, between January and August 2023, a total of 244 marathon races certified by the Chinese Athletics Association were held nationwide, involving nearly 1.8 million participants. The public's enthusiasm for sports participation, along with the re-access to flourishing professional sports events plus marketing initiatives, have fueled compelling interest in sports sector. This, in turn, has propelled the mutual blooming in both mainstream categories, along with emerging niche categories inclusive of trial running, winter sports, and cycling. The demand for sporting goods continued to be resilient.

The evolving macro-environment is reshaping consumer behaviors, characterized by mutual pursuits among value-driven choices, co-creation experience, and unwinding with self-reward. They are becoming more discerning in their demand, seeking meaningful value experience upon consumption. This pursuit of value in turn drives them to participate more enthusiastically in co-creation throughout the consumer journey, which, coupled with the deepening emphasis on physical and mental health in the post-pandemic era, has led to the emergence of an in-depth "Self-reward" culture in the search for new consumption concepts and lifestyles. Overall, consumers are more inclined to form well-rounded and in-depth connections and bonds with brands that are capable to provide these cognitive and authentic values.

To cope with above market dynamics and shifting consumer demand landscapes, during the period, we further scaled up our compelling brands portfolio offerings and adopted diverse methods to saddle our layout in sports sub-segments. This included initiating brand partnerships with "HOKA ONE ONE" and "KAILAS", while invested in "Cold Mountain", a professional retailer specializing in ski gears, and "Mounster", a leading content agency zero in urban outdoor lifestyle theme, enabling us with elevated product and category offerings with both diverse and extensive features. We worked seamlessly with 14 leading sports brand partners to seize the opportunities of high-quality omnipresent growth, while pinpointing on upgrade our long-term efficiency. The Group successfully achieved growth in both revenue and profits attributable to equity holders, and a YoY increase in the profit margin attributable to equity holders in the first half of this financial year, in concert with our bank balances and cash significantly soared YoY. Our long-term efforts to upgrade efficiency in three subjects, together with scale up our layout facilitated by three growth pillars, progressed in tandem, which allowing us to deliver the solid results fueled by high-quality growth performance.

FINANCIAL REVIEW

During the first half of FY2023/24, with the recovery of the macro market environment and our operation efficiency embedded, the Group regained high-quality growth trajectory driven by retail-centric, better performance on in-season product offerings and same-store-sales growth. The Group's revenue increased by 7.3% YoY to RMB14,176.5 million. Including:

- Revenue contributed by retail business increased by 8.8% YoY to RMB11,987.7 million. Fueled by demand recovery, reopening of consumption occasions, together with gradual resumption of flourishing marketing activities initiated by our brand partners, our business continued to be anchored towards retail-centric. Retail-centric enabled us to be well-positioned to tap into seamless connections with consumers, while also endowing us with unique value as the leading sports retail operator at scale.

- Both principal and non-principal brands recorded YoY revenue growth, by leveraging on our diversified brand portfolio offerings, trend momentum resumption of brands, as well as growth of emerging niche sports market. In which, principal brands' revenue increased by 7.0% YoY, and revenue from non-principal brands increased by 10.5% YoY.

- The Group achieved recovery across multiple consumer occasions. Online and offline retail sales (including but not limited to value-added tax) grew in tandem, with our swift and agile omni-retail capabilities demonstrated their strengths upon re-opening of occasions post-pandemic.

- Benefiting from the overall consumer recovery and in-season products launching by brands, coupled with the return back of marketing activities, in-season product sales recorded a YoY improvement. In-season products mix accounted for a higher percentage of overall retail sales, driving a YoY narrowed retail discount offerings. Better sales of in-season products also contributed to health growth in same-store-sales, which set the solid stage for quality growth, also as the core driver to fuel retail sales growth.

The gross profit margin decreased by 0.9 percentage points YoY to 44.7%. The positive contribution brought by YoY narrowed retail discount rate offering and higher revenue mix of the retail business were offset by moderated special subsidies offered by brand partners which we benefitted during the pandemic, but were rationally alleviated as the market condition recovered post-pandemic.

Despite the YoY decline in gross profit margin and less government incentives enjoyed after the pandemic, the two negative impacts were more than offset by improvement in the selling and distribution and the general and administrative expenses ratio, because of overall efficiency gains, which resulted in profit growth that significantly outpaced revenue growth:

- The Group was able to achieve 7.3% growth in revenue with total expenses (including the selling and distribution expenses and the general and administrative expenses) remaining broadly in line with the same period last year, which is a great testament to our improved operational efficiency.

- Core operating profit (excluding other income, primarily government incentives) increased by 22.9% YoY to RMB1,679.7 million, and the core operating profit margin (excluding other income, primarily government incentives) increased by 1.5 percentage points YoY to 11.8%.

- Profit attributable to equity holders increased by 16.7% YoY to RMB1,337.2 million, and the profit margin attributable to equity holders increased by 0.7 percentage points YoY to 9.4%.

We consistently emphasized on shareholder returns and creation of shareholder value. With the further improvement in working capital efficiency, our core superiority of converting profits into cash generation was even more outstanding. We have achieved strong cash-generating capability, laying a solid foundation for dividend payouts:

- We have maintained an inventory management approach aligned with our store network layout and recovery pace of brands. As of the end of the period, inventory value decreased by 10.1% as compared with 31 August 2022 and 7.9% as compared with 28 February 2023. The average inventory turnover period decreased by 26.7 days YoY to 140.9 days.

- The net cash generated from operating activities during the period increase by 57.8% YoY to RMB2,550.8 million, which the amount is 1.9 times the profit attributable to equity holders for the same period.

- Based on the above factors, the Board has resolved to declare an interim dividend of RMB16.00 cents per ordinary share for the financial year ending 29 February 2024. Interim dividend payout ratio is 74.2%, which is higher than 70.4% of same period last year.

In reviewing the financial performance during the period, along with the recovery of the retail environment and our further streamlined operation efficiency, the Group's core performance indicators, including revenue, profits attributable to equity holders, inventories, and working capital, are gradually resuming back to pre-pandemic levels. Our cash generation capability is even superior as compared with the same time period before the pandemic. The return and enhancement of these efficiencies are further fortifying the moat of our core business.

BUSINESS REVIEW

Looking back on the first half of this financial year, we have improved performance in three key efficiencies and concentrated our efforts on three growth pillars to achieve high-quality growth, by leveraging the strengths of our efficient omni-retail operation platform that encompasses multi-brands, multi-categories, and multi-occasions.

Pursuing Quality Omnipresent Growth by Driving "3+3" Co-Development

1. Strengthen Three Key Efficiencies and Fortify the Business Moat

Enhanced Productivity Per Store and Per Square Meter Empowered by Consumption Recovery and Structural Upgrades of Store Network

Entering the new financial year, with relaxation of pandemic prevention policies and foot traffic rebounding, we dedicated to explore store network development, while precisely optimize structure mix both horizontally and vertically to improve store productivity at full-scale, by adhering to our "Select + Optimize" strategy.

Horizontally, with foot traffic returning to physical stores and our network transformation initiatives approaching the end, the changing of our number of stores and gross selling area remained in line with market demand evolvement. During the reporting period, the number of gross closure of stores were reduced notably YoY, and the gross selling area was generally in line with that of Q1 by the end of Q2.

Vertically, considering varied features of consumers, category and product offerings among our 14 brand partners, we paired each with the most suitably sized stores. Taking efficiency as the anchor point, we drove further upgrades in overall store structure, fully unleashing the potential of various store types among different brands.

Our store network is evolving towards a more precise structural mix, robust omni-operation strengths, and broader outreach on a single-store basis. As of 31 August 2023, we had 6,209 directly operated stores, a 10.4% YoY decrease in the total number of stores and a 3.5% YoY decrease in gross selling area. Compared with 28 February 2023, these figures represented a decrease of 5.4% and 1.7%, respectively. The decline magnitude in overall number of directly operated stores and gross selling area moderated marginally, in line with the market recovery trend.

As of 31 August 2023, the single store selling area expanded by 7.7% YoY, in which single-store selling area for both principal and non-principal brands stores, as well as across various sized stores, all recorded expansion. This is the reflection of our pursuit of a more precise single-store layout that aligns with brand characteristics, category features, and consumer profiles.

In view of sales contribution, both principal and non-principal brands showed a rebound in productivity per store and per square meter. Based on this, the rental expenses ratio (including lease expenses and depreciation for right-of-use assets) decreased by 0.5 percentage points YoY to 13.3%.

Changes in the number of stores, gross selling area and single-store selling area during the period:

	Annual			**Interim**
	28 February 2021	28 February 2022	28 February 2023	**31 August 2023**
Number of stores at the beginning of the period	8,395	8,006	7,695	**6,565**
Net decrease in the number of stores	(389)	(311)	(1,130)	**(356)**
Number of stores at the end of period	8,006	7,695	6,565	**6,209**
YoY change in gross selling area	4.1%	5.4%	(6.8%)	**(3.5%)**
YoY change in single-store selling area	9.2%	9.6%	9.2%	**7.7%**

Streamlined workforce by Incubating an Agile and Efficient Talent Pipeline

Incubating a leaner, mighty, more agile as well as efficient talent pipeline has persistently been our mentality. This equipped us well positioned to tap into rebounding consumer demand with a more efficient talent pool. As physical occasion regain momentum, we have realigned and added on our in-store staff allocation to cope with market demand and foot traffic recovery. Moreover, we have advanced the R&D, optimization, and integration of a diverse set of digital tool-kit to facilitate sales monitoring and user management for our in-store staffs, aiming to streamline workforce through the utilization of more "productive + precise" digital tools. At the headquarter management level, we are working towards a flatter organizational structure and expanding the application of digital and mid-office capabilities, continuing to streamline our organizational structure. We have achieved the following results:

- Our total number of employees decreased by 8.7% YoY to 29,896, representing a 3.5% HoH decline. The magnitude of this decline narrowed both YoY and HoH, which is in line with the trend of the overall number of stores movements.

- In the first half of the financial year, the decline in the total number of employees was moderated than the decline in the total number of stores. This can be attributed to the gradual increase in store headcounts due to the return of foot traffic. However, the optimization of non-store staffs is still underway, with deeper YoY and HoH declines compared with store headcounts.

- Although the average staff cost increased during the period under review, aid on advanced overall average staff productivity, the staff expense ratio decreased by 1.3 percentage points YoY to 10.0%.

Changes in headcount during the period

	2H FY2021/22	1H FY2022/23	2H FY2022/23	**1H FY2023/24**
Headcount at the end of the period	40,913	32,745	30,978	**29,896**
Period Change	(2.5%)	(20.0%)	(5.4%)	**(3.5%)**
YoY change by the end of the period	1.4%	(22.0%)	(24.3%)	**(8.7%)**
Staff expense ratio	11.3%	11.3%	10.1%	**10.0%**
YoY Change (percentage points)	2.8	0.9	(1.2)	**(1.3)**
Change in the number of stores during the period	(1.2%)	(10.0%)	(5.2%)	**(5.4%)**

2. *Three Key Growth Pillars to Anchor Long-Term Development*

Consumers lie at the heart for retail industry. In the ever-changing sportswear retail market, various niche sports segments were spotted by consumers' pursuit towards diversified and differentiated values. While the mainstream sports market continued with its steady ascent, there has been an increasing potential for niche sub-segments demand. During the reporting period, Topsports proactively adapted to the evolving industry and consumer demands. We unveiled an all-inclusive brand image upgrade to engage with consumers, with young, energetic, and appealing impression. Rooted in our brand value proposition of "fostering joyous sports experiences and lifestyle" and the brand's core spirit of "being born to challenge", we strike a chord with consumers, igniting their passion for sports. As a multi-brand, and multi-category sportswear retail operator at-scale that provides consumers with omnipresent engagement across various occasions, we remain focused on users, omni-retail operations, as well as innovative operation model and service offerings, setting the stage for long-term growth.

User-Centric: Bonding through New Connections and Experiences

As of the end of the financial period, we have deepened cooperation with 14 leading sports brands. Through top-notch services and our omnipresent platform, we provide a product lineup featuring multiple brands and categories, including professional mainstream sports, specialized niche offerings, and sports fashion trends. Meanwhile, we are continually expanding our consumer engagement across various occasions to accumulate a growing consumer base through occasion-inspired and interest-based marketing initiatives, across-occasional outreach to new consumers and expansion of cross-industry cooperation. In terms of user engagement, we continued to strengthen user value through more intensive marketing activities offerings, broadening of the usage scenarios for user loyalty award points, with enriched and unconventional content provided and diversified user interactions. We simultaneously enhanced the granularity of new and existing user operations, which combined with our refined user rewards system as well as our differentiated precision marketing activities, enabled us to continue building "New connections" and delivering "New experiences" to both new and existing users, thereby increasing the odds of successful conversions.

As of 31 August 2023, our cumulative user base has reached 73.1 million, marking a 16.2% increase compared to the previous year. During this period, members' contribution to in-store retail sales, including value-added tax, remained consistently high at 92.7%. Re-purchasing members consistently accounted for 60-70% of our overall member consumption, demonstrating their enduring loyalty. Throughout this period, we remained focused on unleashing the potential of high-value members. While high-value members represent only a mid-single-digit fraction of our total member base, they contributed nearly 40 percent of total member consumption. Their ARUP significantly exceeded the overall average among members, underscoring their substantial purchasing power and user stickiness compared to other members.

	As at			
	28 February 2022	31 August 2022	28 February 2023	**31 August 2023**
Cumulative User Base* (Million)	57.5	62.9	67.9	**73.1**
Percentage of In-Store Retail Sales (Including VAT) Contributed by Members During the Period#	95.7%	94.4%	94.0%	**92.7%**

* Users include members and potential members (i.e. non-member WeChat followers)

\# The Period refers to semi-annual data as of 31 August and annual data as of 28 February.

Focus on Omni-Retail Operation to Explore New Occasions with New Roles

We aim to establish more integrated retail capability across multiple operation segments, and among every portion of the value chain associated with consumer shopping journey. As consumer behaviors have evolved, Topsports has undergone a transformation in how we perceive and reshape the retail landscape, recalibrating conventional notions of physical shopping. What were once traditional physical stores have now evolved into an omni-operation that encompasses "brick-and-mortar stores, social media communities, in-store live streaming, and featured IP"—a seamless blend of both online and offline experiences. Furthermore, the very essence of retail spaces has transcended boundaries, delving into cross-disciplinary realms including arts, culture, music, and beyond, which makes them epicenters of popular trends and the go-to gathering spots for sports enthusiasts. Along this journey, our conventional retail capabilities have consistently exceeded traditional boundaries, undergoing an omnipresent overhaul and constant iteration to craft an entirely new business model.

Nonetheless, we are thoroughly originate long-lasting connections and companionship with consumers by seizing every chance to engage with them across every stage of their consumption journey. Nowadays, businesses' social media presence has become seamlessly woven into every facet of the consumer shopping experience. Topsports has fully immersed itself in popular Chinese social platforms like Douyin (抖音), Xiaohongshu (小紅書), and Bilibili (B 站) using a mix of live streams, long and short videos, and product recommendation notes to interact with consumers. This approach forms a dynamic web of outreach. Our omnipresent touch-points enable consumers to shop seamlessly while browsing and exploring, and our convenient online-offline integration ensures that consumers can gratify their purchasing desires instantly when they are captivated by a product.

As consumption occasions continually evolve, so does our role while engaging with consumers. We have evolved from mere product sales facilitators to forging high-quality, deep-seated relationships with consumers. We go beyond to provide personalized product recommendations, sports fashion insights, and activities within social community groups to align with consumers' interests. We have become more than just a retailer – instead, we are a trusted companion to the younger generation on their sporting journeys.

Focusing on Operation Model and Service Innovation to Pioneer on New Varieties and Formats

We remain laser focused on the interests and needs of the new generation of young consumers, expanding our business strategy while actively engaging with existing consumers in deeper conversations to enhance their loyalty. In the world of sportswear, we continually explore and invest in promising niche sporting sub-segments and lifestyle areas. Additionally, to better cater to needs from young consumers, we constantly follow their lifestyle interests and stay attuned to their day-to-day passions, such as cultural trends and e-sports. Topsports continuously enriches its brand partnerships, which are tailored to fulfill the demands of our young consumers who seek personalized and unique meaningfulness of expressing themselves through their choices and preferences.

In response to the growing interest in the outdoor sports category, during the period, Topsports proudly announced a strategic retail partnership with the renowned international high-performance sportswear brand HOKA ONE ONE. Together, we aim to create diverse and engaging running experiences. Additionally, we have teamed up with KAILAS, a global leader in high-altitude mountaineering, to provide more adventure enthusiasts with the chance to savor the thrill of outdoor sports.

We firmly believe that the China sports consumer market is a powerhouse of untapped potential and boundless momentum. The depth and breadth of this market reflects the rich tapestry of consumer preferences. That's why we are constantly pushing the boundaries of our business and experimenting with a variety of cooperation models centered around sports and fashion, all to forge strong bonds with diverse consumer groups and explore dynamic growth potentials.

During the period, we have formed connections with the younger generation through our Top eSports club. When it comes to niche sporting segments, in addition to collaborating with more brands to expand our portfolio offerings, we also made a strategic investment in Cold Mountain, a retailer with expertise in professional skiing equipment. Together, we are aiming to tap into the potential of the winter sports segment and offer Chinese skiing aficionados access to a broader range of top-notch products and exceptional experiences. Furthermore, we invested in Mounster, a professional content agency specialized on urban outdoor lifestyle theme, to bring superior and heartfelt outdoor content to our consumers. Venturing into these specialized sports niches will inject fresh dynamism into Topsports' journey in this new phase.

Center on Sustainable Consumption to Co-create and Implement Sustainable Development with Stakeholders

We are well aware that sustainable development will be at the heart of all industries in the future. On this journey, we are constantly reflecting on our role in society, recognizing the important part we play in both the upstream and downstream sectors of the industry value chain. Based on this, we have focused our ESG efforts on sustainable consumption and have actively harnessed our strengths to embrace ESG responsibility by working in joint hands with various stakeholders, including our employees, consumers and industry partners, to build and practice sustainable development.

During the period, to enhance our corporate governance standards and offer consumers superior products and services, respect the rights of every employee and providing them with a healthy and safe working environment, as well as teamed up with upstream and downstream partners throughout the industry chain to construct a sustainable industrial ecosystem, we have rolled out a series of policies and guidelines, including the Corporate Code of Conduct, Employee Rights Policy, Supplier Code of Conduct and Privacy Statement, by referencing on relevant national laws and regulations, industry best practices, and international guidelines and standards like the United Nations Sustainable Development Goals (SDGs) and the core conventions of the International Labour Organization (ILO). Through these initiatives, we have consistently elevated our corporate governance standards, adhered to the highest ethical business practices, nurtured an inclusive and diverse corporate culture and workplace, prioritized user privacy, safeguarded personal information, encouraged our suppliers to embrace industry best practices, and continually enhanced our sustainability efforts.

Our continued investment in ESG efforts has also been consistently recognized by organizations such as MSCI, Morningstar Sustainalytics, and Institutional Investor. Our ESG rating from MSCI is BBB, placing us among the leading companies in China's sportswear industry in terms of ESG ratings. Looking ahead, we will continue to advance our ESG work towards a more systematic and targeted approach. We are committed to collaborating with more partners in the industry ecosystem to achieve green collaboration and co-creation.

Looking Ahead to the Future

Remaining Optimistic and Confident while Taking a Decisive Course of Action

As we venture into the new financial year, market demand is gradually bouncing back, putting the challenging retailing environment of the pandemic behind us. Reflecting on the past three years, we have gleaned the profound insight that the more uncertain the environment, the more imperative it is to seek meaningful changes. In keeping with this insight, we have consistently regarded the pursuit of high-quality, healthy, and sustainable growth as our fundamental principle. Speaking on behalf of the company, I would like to extend our heartfelt appreciation to our consumers, employees, brand partners, and other collaborators who have placed their trust in us and offered unwavering support during the challenging times we have faced.

Gazing into the future, our optimism and confidence remain unwavering. We will continue to uphold our values of humility, foresight, and adaptability, staying steadfast in our commitment to our long-term core strategies. We will focus on the following key developmental initiatives to navigate the shifting external landscape through our diligent efforts. We will remain true to our original goals, relentlessly pursuing high-quality, sustainable growth, and creating greater value for our consumers, shareholders, partners, and society.

Future Developmental Initiatives

- Continuously fortify and upgrade of three key efficiencies to solidify the resilience of our retail platform.
- Prioritize users, embrace the omni-retail matrix, innovate business models and services to set the stage for sustained growth.
- Optimize and refine our digitalization with "Precision + Efficiency".
- Actively implement our ESG methodology and foster our long-term path to sustainability.

FINANCIAL ANALYSIS

During the six months ended 31 August 2023, the Group recorded revenue of RMB14,176.5 million, an increase of 7.3% compared with that of the six months ended 31 August 2022. The Group recorded operating profit of RMB1,725.9 million, an increase of 9.2% compared with that of the six months ended 31 August 2022. The profit attributable to the Company's equity holders during the period under review amounted to RMB1,337.2 million, an increase of 16.7% compared with that of the six months ended 31 August 2022.

REVENUE

The Group's revenue increased by 7.3%, from RMB13,218.0 million for the six months ended 31 August 2022 to RMB14,176.5 million for the six months ended 31 August 2023. The growth was mainly attributable to the impact of demand recovery to the consumption environment in general and gradual resumption of flourishing marketing activities initiated by the brand partners during the period under review. The following table sets forth a breakdown of the revenue from sale of goods by brand categories, concessionaire fee income and e-Sports income for the periods indicated:

	Six months ended 31 August				
	2023		2022		
	Revenue	**% of total**	Revenue	% of total	Growth/ (Decline) rate
Principal brands*	**12,346.8**	**87.1%**	11,544.0	87.3%	7.0%
Other brands*	**1,721.4**	**12.1%**	1,557.6	11.8%	10.5%
Concessionaire fee income	**86.8**	**0.6%**	91.1	0.7%	(4.7%)
e-Sports income	**21.5**	**0.2%**	25.3	0.2%	(15.0%)
Total	**14,176.5**	**100.0%**	13,218.0	100.0%	7.3%

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, LI-NING, HOKA ONE ONE and KAILAS. 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 periods indicated:

	Six months ended 31 August				
	2023		2022		
	Revenue	**% of total**	Revenue	% of total	Growth/ (Decline) rate
Retail operations	**11,987.7**	**84.6%**	11,018.9	83.4%	8.8%
Wholesales operations	**2,080.5**	**14.6%**	2,082.7	15.7%	(0.1%)
Concessionaire fee income	**86.8**	**0.6%**	91.1	0.7%	(4.7%)
e-Sports income	**21.5**	**0.2%**	25.3	0.2%	(15.0%)
Total	**14,176.5**	**100.0%**	13,218.0	100.0%	7.3%

Unit: RMB million

PROFITABILITY

The Group's operating profit increased by 9.2% to RMB1,725.9 million for the six months ended 31 August 2023. The profit attributable to the Company's equity holders increased by 16.7% to RMB1,337.2 million for the six months ended 31 August 2023.

	Six months ended 31 August		
	2023	2022	Growth rate
Revenue	**14,176.5**	13,218.0	7.3%
Cost of sales	**(7,835.7)**	(7,187.3)	9.0%
Gross profit	**6,340.8**	6,030.7	5.1%
Gross profit margin	**44.7%**	45.6%	

Unit: RMB million

Cost of sales increased by 9.0% from RMB7,187.3 million for the six months ended 31 August 2022 to RMB7,835.7 million for the six months ended 31 August 2023. Gross profit of the Group increased by 5.1% to RMB6,340.8 million for the six months ended 31 August 2023 from RMB6,030.7 million for the six months ended 31 August 2022.

During the period under review, the gross profit margin of the Group was 44.7%, decreased by 0.9 percentage points, from 45.6% for the six months ended 31 August 2022. Decrease in gross profit margin primarily resulted in moderated special subsidies offered by brand partners which benefitted during the pandemic, but were rationally alleviated as the market condition recovered post-pandemic, partly offset by improved retail discount year-on-year and increasing in retail operations proportion. As of 31 August 2023, the inventory decreased by 7.9% and 10.1% respectively to RMB5,753.7 million, as compared with RMB6,247.3 million as at 28 February 2023 and as compared with RMB6,403.6 million as at 31 August 2022.

Selling and distribution expenses for the six months ended 31 August 2023 were RMB4,110.1 million (six months ended 31 August 2022: RMB4,090.8 million), accounting for 29.0% of the Group's revenue (six months ended 31 August 2022: 30.9%). The selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Increase in selling and distribution expenses primarily due to the recovery of the retail environment gradually resulting in an increase in concessionaire and lease expenses and other store operation expenses.

General and administrative expenses for the six months ended 31 August 2023 were RMB552.5 million (six months ended 31 August 2022: RMB574.3 million), accounting for 3.9% of the Group's revenue (six months ended 31 August 2022: 4.3%). 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 attributable to optimization of management and administrative personnel structure resulting in a decrease in staff costs during the period under review.

In the position of growing revenue, decrease in selling and distribution expenses and general and administrative expenses as a percentage of the Group's revenue was mainly attributable to the positive impact of optimization of store network and organization structure which increased operating deleverage during the period under review.

Finance income increased from RMB48.6 million for the six months ended 31 August 2022 to RMB59.6 million for the six months ended 31 August 2023. Increase in finance income was mainly attributable to more interest income of bank deposits incurred, as weighted average interest rate of bank deposits for the six months ended 31 August 2023 was higher than the same period of last year.

Finance costs decreased from RMB111.3 million for the six months ended 31 August 2022 to RMB77.9 million for the six months ended 31 August 2023, primarily as a result of less interest expenses of short-term borrowings incurred, as the average balance of short-term borrowings for the six months ended 31 August 2023 was lower than the same period of last year, and decrease in interest expenses on lease liabilities during the period under review.

Income tax expense for the six months ended 31 August 2023 amounted to RMB370.9 million (six months ended 31 August 2022: RMB372.4 million). The effective income tax rate decreased by 2.8 percentage points to 21.7% for the six months ended 31 August 2023 from 24.5% for the six months ended 31 August 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 six months ended 31 August 2023 amounted to RMB46.2 million (six months ended 31 August 2022: RMB213.4 million) mainly consists of government incentives.

CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of expenditures for property, plant and equipment and intangible assets. During the six months ended 31 August 2023, the total capital expenditure was RMB188.2 million (six months ended 31 August 2022: RMB157.3 million).

BASIC EARNINGS PER SHARE

Basic earnings per share for the six months ended 31 August 2023 increased by 16.7% to RMB21.56 cents from RMB18.47 cents for the six months ended 31 August 2022.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB1,337.2 million for the six months ended 31 August 2023 (six months ended 31 August 2022: RMB1,145.4 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (six months ended 31 August 2022: 6,201,222,024 shares).

		Six months ended 31 August	
		2023	2022
Profit for the period attributable to the Company's equity holders	RMB million	**1,337.2**	1,145.4
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	**21.56**	18.47

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, net cash generated from operations increased by RMB547.0 million to RMB2,680.7 million for the six months ended 31 August 2023 from RMB2,133.7 million for the six months ended 31 August 2022.

Net cash used in investing activities for the six months ended 31 August 2023 was RMB43.6 million (six months ended 31 August 2022: Net cash used in RMB132.9 million). During the period under review, the Group invested RMB187.0 million on payments for purchases of property, plant and equipment and intangible assets, payments for acquisition of investments in subsidiary of RMB2.5 million, placement of other bank deposits of RMB1,058.9 million and net payment for purchase of financial asset at fair value through profit or loss of RMB20.9 million, offset by proceeds from disposals of property, plant and equipment of RMB1.3 million, withdrawal of other bank deposits of RMB1,058.9 million and interest received of RMB165.5 million.

During the period under review, net cash used in financing activities was RMB1,716.4 million (six months ended 31 August 2022: net cash used in RMB1,560.0 million), mainly due to the repayments of short-term borrowings of RMB1,545.0 million, placement of short-term pledged bank deposits of RMB246.0 million, payments for lease liabilities (including interest) of RMB801.3 million and payments of the 2022/23 final dividend of RMB310.1 million and the 2022/23 special dividend of RMB930.2 million by the Group during the period, partly offset by proceeds from short-term borrowings of RMB840.0 million and withdrawal of short-term pledged bank deposits of RMB1,286.0 million.

As at 31 August 2023, the Group held bank balances and cash and short-term pledged bank deposits totaling RMB3,394.2 million, after netting off the short-term borrowings of RMB840.0 million, it was in a net cash position of RMB2,554.2 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.

GEARING RATIO

As at 31 August 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 (28 February 2023: net cash position) and the aggregate balances of short-term pledged bank deposits and bank balances and cash exceeded the total balance of short-term borrowings by RMB2,554.2 million (28 February 2023: RMB2,098.4 million).

PLEDGE OF ASSETS

As at 31 August 2023, except for the short-term pledged bank deposits of RMB246.0 million, no assets were pledged as security for banking facilities available to the Group.

HUMAN RESOURCES

As at 31 August 2023, the Group had a total of 29,896 employees (28 February 2023: 30,978 employees). For the six months ended 31 August 2023, total staff costs were RMB1,413.4 million (six months ended 31 August 2022: RMB1,488.0 million), accounting for 10.0% (six months ended 31 August 2022: 11.3%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

GENERAL INFORMATION

INTERIM DIVIDEND

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of RMB16.00 cents per ordinary share (the "Interim Dividend"), totaling RMB992.2 million for the six months ended 31 August 2023.

The Interim Dividend will be paid on or about Wednesday, 20 December 2023 to shareholders whose names appear on the register of members of the Company on Thursday, 7 December 2023.

The actual exchange rate for the purpose of Interim Dividend payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK$1.0555) as quoted by the Hong Kong Association of Banks on Wednesday, 18 October 2023, being the date on which the Interim Dividend is declared by the Board. Accordingly, the amount of the Interim Dividend is HK$16.89 cents per ordinary share.

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

CLOSURE OF REGISTER OF MEMBERS

The Interim Dividend will be payable on or about Wednesday, 20 December 2023 to the shareholders whose names appear on the register of members of the Company on Thursday, 7 December 2023. For the purpose of ascertaining shareholder's eligibility for the Interim Dividend, the register of members of the Company will be closed from Tuesday, 5 December 2023 to Thursday, 7 December 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 p.m. on Monday, 4 December 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

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.

During the six months ended 31 August 2023, the Company has complied with all applicable code provisions as set out in the CG Code, save for code provision C.2.1 of the CG Code.

Code provision C.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Sheng Baijiao, previously a non-executive director and the chairman of the Company, had retired at the annual general meeting of the Company held on 21 July 2023. Since then, Mr. Yu Wu has assumed the role of chairman of the Company in addition to his role as the chief executive officer of the Company. Considering the present composition of the Board and Mr. Yu's extensive experience in the footwear and sportswear businesses, the Board is of the view that vesting the roles of both chairman and chief executive in Mr. Yu provides the Group with continuous leadership and effective implementation of long term business strategies. As all major decisions are made in consultation with members of the Board and relevant Board committees, and there are independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board to protect the interests of the Company and its shareholders.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' securities transactions. After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code for the period from 1 March 2023 to 31 August 2023.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 31 August 2023.

REMUNERATION COMMITTEE

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

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

– making recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;

– determining the terms of specific remuneration package of the Directors and senior management; and

– reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

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

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

NOMINATION COMMITTEE

The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as the directors of the Company, oversee the process for evaluating the performance of the Board, review the structure, size and composition of the Board and assess the independence of the Independent Non-executive Directors. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve the Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee has three members comprising Mr. 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 period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board
Topsports International Holdings Limited
YU Wu
Chairman & Chief Executive Officer

Hong Kong, 18 October 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 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 interim results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.topsports.com.cn), respectively. The interim report of the Company will be dispatched to the Shareholders in due course, and will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company, respectively.