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TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

滔搏國際控股有限公司

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

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the continuing connected transactions under the 2022 Framework Agreements, the details of which are disclosed in the announcement published by the Company on February 28, 2022.

As the term of each of the 2022 Framework Agreements will soon expire, on May 22, 2024, the Company entered into the 2024 Framework Agreements, including (i) the 2024 Property Leasing Framework Agreement with Belle International for the lease of certain properties owned by Belle International Group; and (ii) the 2024 Logistics Services Framework Agreement with Li Xun in relation to the provision of logistics services by Li Xun to the Group.

Belle International is an associate of Hillhouse HHBH and WMVL, both being substantial shareholders of the Company, and Li Xun is indirectly wholly-owned by Belle International. Accordingly, Belle International and Li Xun are connected persons of the Company and the transactions contemplated under the 2024 Framework Agreements constitute connected transactions of the Company.

For each of the transactions under the 2024 Framework Agreements, the highest applicable percentage ratio calculated with reference to the highest of the maximum transaction amount is more than 0.1% but less than 5%. Accordingly, each of the transactions under the 2024 Framework Agreements is subject to the reporting, announcement and annual review requirements but exempted from the circular and independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the continuing connected transactions under the 2022 Framework Agreements, the details of which are disclosed in the the announcement published by the Company dated February 28, 2022.

As the term of each of the 2022 Framework Agreements will expire on May 31, 2024, the Company and the respective counterparties have entered into the 2024 Framework Agreements on May 22, 2024 to renew the 2022 Framework Agreements.

2024 PROPERTY LEASING FRAMEWORK AGREEMENT

The principal terms of the 2024 Property Leasing Framework Agreement are set out below:

- Date : May 22, 2024
- Parties : (a) the Company; and
(b) Belle International
- Term : June 1, 2024 to August 31, 2026
- Subject Matter : Belle International Group shall lease to our Group certain properties located in the PRC and Hong Kong for use as office or commercial premises, car parking space or storage facilities.

Our Group may rent additional properties or cease to rent certain properties from Belle International Group based on our actual demand for property space.

The relevant tenants of our Group and the relevant landlords of Belle International Group shall enter into separate lease agreements which shall set out the specific terms and conditions in accordance with the principles and conditions provided in the 2024 Property Leasing Framework Agreement.

- Rental fees and pricing policy : The rental price shall be payable by month, and determined between the parties following their arm's length negotiations with reference to:
- (a) the gross area of the relevant property and the rental period;
 - (b) the market prices of comparable properties of similar conditions in the vicinity; and
 - (c) the rental price payable by independent third parties to Belle International Group in respect of comparable properties.

The rental price shall be reviewed and adjusted for every rental cycle during the term of the 2024 Property Leasing Framework Agreement with reference to the prevailing market rental prices, the consumer price index and the terms and conditions of the leases offered by Belle International Group to other tenants.

Historical Figures

The table below sets out the aggregate amount of lease payments made by the Group under the 2022 Property Leasing Framework Agreement which will expire on May 31, 2024:

	For the year ended February 28, 2023	For the year ended February 29, 2024
	(RMB in million)	(RMB in million)
Aggregate lease payments	21.7	23.6

Pursuant to IFRS 16, the lease of properties by the Group as lessee under the 2022 Property Leasing Framework Agreement was recognized as right-of-use assets. The below table sets out the total value of right-of-use assets relating to the leases entered into in the relevant year or period under the 2022 Property Leasing Framework Agreement which will expire on May 31, 2024:

	For the year ended February 28, 2023	For the year ended February 29, 2024
	(RMB in million)	(RMB in million)
Total value of right-of-use assets relating to the leases entered into in the relevant year or period	38.9	-

Maximum Transaction Amounts and Basis

The aggregate amount of lease payments to be made by the Group under the 2024 Property Leasing Framework Agreement for the each of the years ending February 28, 2025, February 28, 2026 and February 28, 2027 are not expected to exceed RMB27.1 million, RMB31.2 million and RMB35.9 million, respectively.

Pursuant to IFRS 16, the lease of properties by the Group as lessee under the 2024 Property Leasing Framework Agreement will be recognized as right-of-use assets, and accordingly, the Directors estimate the maximum transaction amounts under the 2024 Property Leasing Framework Agreement to be as follows:

	For the year ending February 28, 2025	For the year ending February 28, 2026	For the year ending February 28, 2027
	(RMB in million)	(RMB in million)	(RMB in million)
Total value of right-of-use assets relating to the leases to be entered into in the relevant year or period	90.0	90.0	90.0

In arriving at the above maximum transaction amounts, the Directors have considered (i) the historical figures as set out above; (ii) the current rental prices of comparable properties in the vicinity and the prevailing market rates; (iii) the expected increase in rental prices based on inflation rate and prediction on the future development of the property market in the PRC; and (iv) the expected signing of new leases due to potentially increasing demand of our Group for property space and the expected tenor of the new leases.

Reasons and Benefits

Our Group has historically been leasing properties from Belle International Group for use as office or commercial premises or storage facilities due to the proximity between the business premises of the Group and Belle International Group. By entering into the 2024 Property Leasing Framework Agreement with Belle International, the Company may continue to enjoy the convenience of geographical proximity and competitive rental prices which will help to ensure stability of the Group's operations and reduce unnecessary administrative expenses. The Company is therefore of the view that it is in the best interest of the Company and its Shareholders to renew the continuing connected transaction with Belle International.

2024 LOGISTICS SERVICES FRAMEWORK AGREEMENT

The principal terms of the 2024 Logistics Services Framework Agreement are set out below:

- | | | |
|----------------|---|--|
| Date | : | May 22, 2024 |
| Parties | : | (a) the Company; and
(b) Li Xun |
| Term | : | June 1, 2024 to August 31, 2026 |
| Subject Matter | : | Li Xun and/or its subsidiaries shall provide logistics services (“ Logistics Services ”) to the Group, which include but not limited to:

(a) transportation of goods after delivery from the Group’s suppliers (including but not limited to transportation among warehouses and stores); and

(b) provision of warehouses, storage and other commercial facilities. |

Our Company and/or the subsidiaries of our Group and the Li Xun and/or its subsidiaries shall enter into separate logistics services agreements which shall set out the specific terms and conditions in accordance with the principles and conditions provided in the 2024 Logistics Services Framework Agreement.

Service fees and pricing policy : The service fees shall be payable monthly, and determined between the parties following their arm's length negotiations with reference to:

- (a) the volume of Logistics Services required by the Group during the relevant period; and
- (b) the actual cost incurred by Li Xun for the provision of Logistics Services in the preceding financial year plus a 5% pre-tax mark-up.

Li Xun has agreed to provide its audited accounts for the relevant financial year to the Group for verification of its cost base. When and where required, the Group will also seek quotations from other service providers that are independent third parties to make sure that the terms of the 2024 Logistics Services Framework Agreement are on normal commercial terms or better.

Historical Figures

The table below sets out the historical transaction amounts under the 2022 Logistics Services Framework Agreement which will expire on May 31, 2024:

	For the year ended February 28, 2023	For the year ended February 29, 2024
	(RMB in million)	(RMB in million)
Logistics Services fees	359.6	385.8

Maximum Transaction Amounts and Basis

The Directors estimate the maximum transaction amounts for the aggregate Logistics Services fees under the 2024 Logistics Services Framework Agreement to be as follows:

	For the year ending February 28, 2025	For the year ending February 28, 2026	For the year ending February 28, 2027
	(RMB in million)	(RMB in million)	(RMB in million)
Logistics Services fees	465.9	562.6	694.1

In arriving at the above maximum transaction amounts, the Directors have considered (i) the historical figures as set out above; (ii) our business outlook and the expected growth in our overall sales and corresponding logistics needs; (iii) increase in the level of sophistication of our logistics needs (e.g. on-demand inventory replenishment); and (iv) potential cost inflation (e.g. increase in wages for delivery personnel) which may result in an increase in Li Xun's operating costs, which would be reflected in the fees payable by us.

Reasons and Benefits

Li Xun is equipped with capabilities of and experience in professional logistics and delivery services specifically for the manufacturing and retail businesses. Further, Li Xun has a proven record of reliability that meets our Group's highly demanding logistics needs, in particular, Li Xun is able to provide efficient and timely logistics services at relatively low cost due to its centralized and integrated logistics operations. As compared to third-party logistics service providers, Li Xun has a better understanding of our delivery requirements, is more familiar with our nationwide store network and can better integrate with our inventory management system, which are critical to our operations. The Company is therefore of the view that it is in the best interest of the Company and its Shareholders to renew the continuing connected transaction with Li Xun.

INFORMATION ON THE PARTIES

The Group

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

Belle International

Belle International Group is principally engaged in the footwear and apparel business in the PRC, Hong Kong and Macau. The majority business of Belle International Group adopts a vertically integrated business model which covers product research and development, design, brand management, manufacturing and retailing.

Belle International is an associate of Hillhouse HHBH and WMVL. Hillhouse HHBH is wholly-owned by Hillhouse HHBH Limited, which is wholly-owned by HHBH Investment, L.P. and the investment manager of HHBH Investment, L.P. is Hillhouse Capital Management, Ltd. WMVL is a company collectively held by certain Directors of the Company and other senior management members of affiliates of the Company. Both Hillhouse HHBH and WMVL are substantial shareholders of the Company.

Li Xun

Li Xun and its subsidiaries are principally engaged in the provision of logistics services and services relating to development, consultation, training and transfer of logistic-related technologies. Li Xun is an indirect wholly-owned subsidiary of Belle International.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that the each of the 2024 Framework Agreements is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better. The terms of the transactions contemplated under the 2024 Framework Agreements and the proposed maximum transaction amounts are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Mr. Yu Wu, Mr. Sheng Fang, Ms. Yung Josephine Ching and Ms. Hu Xiaoling are considered to have material interest in the transactions contemplated under the 2024 Framework Agreements by virtue of their positions held in Belle International and/or its ultimate beneficial owners, and have thus abstained from voting on resolutions of the Board in respect of the foregoing transactions.

LISTING RULES IMPLICATION

Belle International is an associate of Hillhouse HHBH and WMVL, both being substantial shareholders of the Company, and Li Xun is indirectly wholly-owned by Belle International. Accordingly, Belle International and Li Xun are connected persons of the Company and the transactions contemplated under the 2024 Framework Agreements constitute connected transactions of the Company.

For each of the transactions under the 2024 Framework Agreements, the highest applicable percentage ratio calculated with reference to the highest of the maximum transaction amounts is more than 0.1% but less than 5%. Accordingly, each of the transactions under the 2024 Framework Agreements is subject to the reporting, announcement and annual review requirements but exempted from the circular and independent Shareholders approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“2022 Framework Agreements”	collectively, the 2022 Property Leasing Framework Agreement and the 2022 Logistics Services Framework Agreement
“2022 Logistics Services Framework Agreement”	the logistics services framework agreement entered into between the Company and Li Xun on February 28, 2022 in relation to the provision of logistics services by Li Xun and/or its subsidiaries to the Group

“2022 Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Belle International on February 28, 2022 in relation to the lease of certain properties owned by Belle International Group
“2024 Framework Agreements”	collectively, the 2024 Property Leasing Framework Agreement and the 2024 Logistics Services Framework Agreement
“2024 Logistics Services Framework Agreement”	the logistics services framework agreement entered into between the Company and Li Xun on May 22, 2024 in relation to the provision of logistics services by Li Xun and/or its subsidiaries to the Group
“2024 Property Leasing Framework Agreement”	the property leasing framework agreement entered into between the Company and Belle International on May 22, 2024 in relation to the lease of certain properties owned by Belle International Group
“associate(s)”, “connected person(s)”, “percentage ratio(s)” and “substantial shareholder(s)”	each has the meaning ascribed to it under the Listing Rules
“Belle International”	Belle International Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability
“Belle International Group”	Belle International and its subsidiaries from time to time
“Board”	the board of Directors
“Company”	Topsports International Holdings Limited (滔搏國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 6110)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Hillhouse HHBH”	Hillhouse HHBH Holdings Limited, a substantial shareholder of the Company
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Li Xun”	Li Xun Corporate Development (Shanghai) Company Ltd. (麗迅企業發展(上海)有限公司), a company incorporated in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Hong Kong, The Macau Special Administrative Region of PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Shareholder(s)”	shareholder(s) of the Company
“WMVL”	Wisdom Man Ventures Limited, a substantial shareholder of the Company
“%”	per cent

By Order of the Board
Topsports International Holdings Limited
Yu Wu
Chairman & Chief Executive Officer

Hong Kong, May 22, 2024

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.