

滔搏國際控股有限公司

TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE : 6110

GLOBAL OFFERING

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IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

Topsports International Holdings Limited 滔搏國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 930,184,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 93,020,000 Shares (subject to reallocation)
Number of International Offer Shares	: 837,164,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$10.10 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.000001 per Share
Stock code	: 6110

Joint Sponsors



Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Morgan Stanley



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or about Wednesday, October 2, 2019 and, in any event, not later than Wednesday, October 9, 2019. The Offer Price will be not more than HK\$10.10 per Offer Share and is currently expected to be not less than HK\$8.30 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, October 9, 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold (i) within the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

September 26, 2019

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences and **WHITE**
and **YELLOW** Application Forms available from Thursday,
September 26, 2019

Latest time for completing electronic applications under
White Form eIPO service through the designated
website www.eipo.com.hk⁽²⁾ 11:30 a.m. on Wednesday,
October 2, 2019

Application lists open⁽³⁾ 11:45 a.m. on Wednesday,
October 2, 2019

Latest time for (a) lodging **WHITE** and **YELLOW**
Application Forms, (b) completing payment of
White Form eIPO applications by effecting internet
banking transfer(s) or PPS payment transfer(s)
and (c) giving **electronic application instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Wednesday,
October 2, 2019

Application lists close⁽³⁾ 12:00 noon on Wednesday,
October 2, 2019

Expected Price Determination Date⁽⁵⁾ Wednesday,
October 2, 2019

(1) Announcement of the Offer Price, the level of
indications of interest in the International Offering, the
level of applications in the Hong Kong Public Offering
and basis of allocation of the Hong Kong Offer Shares
under the Hong Kong Public Offering to be published
on the website of the Stock Exchange at www.hkexnews.hk
and our website at www.topsports.com.cn⁽⁶⁾ on or before Wednesday,
October 9, 2019

(2) Results of allocations in the Hong Kong Public Offering
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety of channels
as described in "How to Apply for the Hong Kong Offer Shares
– D. Publication of Results" in this prospectus. Wednesday,
October 9, 2019

Results of allocations in the Hong Kong Public Offering will
be available at www.iporesults.com.hk (alternatively:
English <https://www.eipo.com.hk/en/Allotment>; Chinese
<https://www.eipo.com.hk/zh-hk/Allotment>) with
a "search by ID" function from Wednesday,
October 9, 2019

EXPECTED TIMETABLE⁽¹⁾

Dispatch of Share certificates and White Form e-Refund
payment instructions/refund cheques on or before⁽⁷⁾ Wednesday,
October 9, 2019

Dealings in the Shares on the Stock Exchange
expected to commence at 9:00 a.m. on Thursday,
October 10, 2019

Notes:

- (1) All dates and times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 2, 2019, the application lists will not open and close on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares—C. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares—6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Wednesday, October 2, 2019 and, in any event, not later than Wednesday, October 9, 2019. If, for any reason, the Offer Price is not agreed by Wednesday, October 9, 2019 between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be on or around Thursday, October 10, 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates or before the Share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Topsports International Holdings Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Neither we nor the Selling Shareholder has authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained on our website, at www.topsports.com.cn, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR MISSION

Break boundaries through sports and inspire limitless possibilities.

We team up with brands and other partners in the world of sports to offer superior products and services by leveraging the power of technology. We are obsessed with creating boundless, positive, healthy and joyous life experiences inspired by sports.

OVERVIEW

We operate a consumer-centric sportswear retail and service platform in China. Through our industry-leading nationwide directly-operated store network, we come into daily contact with an estimate of more than two million consumers, for whom we provide quality sportswear products and differentiated services, such as various membership benefits and social community content-sharing. According to Frost & Sullivan, we are the largest sportswear retailer in China in terms of estimated total retail-equivalent sales value (inclusive of VAT) in 2018 with a 15.9% market share. We have built strategic partnerships with leading international sportswear brand partners over the years, providing them with access to the Chinese market and insights on Chinese consumers. In recent years, our technology initiatives have further allowed us to expand our consumer outreach and engagement, empower our staff, and enhance our store network and operations, resulting in better consumer experience and increased efficiency and productivity.

OUR BUSINESS MODEL

We operate a nationwide retail network, which included 8,372 directly-operated stores (comprising 8,317 mono-brand stores and 55 multi-brand stores) as of the Latest Practicable Date. We use this network to reach and build local relationships with consumers across the country, which provide us with meaningful insights into their preferences for sportswear products and services. Leveraging these consumer insights, we provide Chinese consumers with comprehensive sportswear products and services, including a wide range of quality sportswear products from world-renowned brands, customized sportswear product and service recommendations, active sports-themed social communities, valuable sports and lifestyle content sharing, and access to various sports activities. For details of our comprehensive product and service offerings, see “Business—Our Sportswear Retail and Service Platform.” Through our nationwide directly-operated store network and powered by our in-depth consumer insights, we aim to offer consumers a differentiated shopping experience. In addition to serving Chinese consumers, we believe our business creates immense value for our brand partners, our sales channel partners and our other platform partners. This value creation, in turn, deepens our strategic relationships with these partners. Specifically:

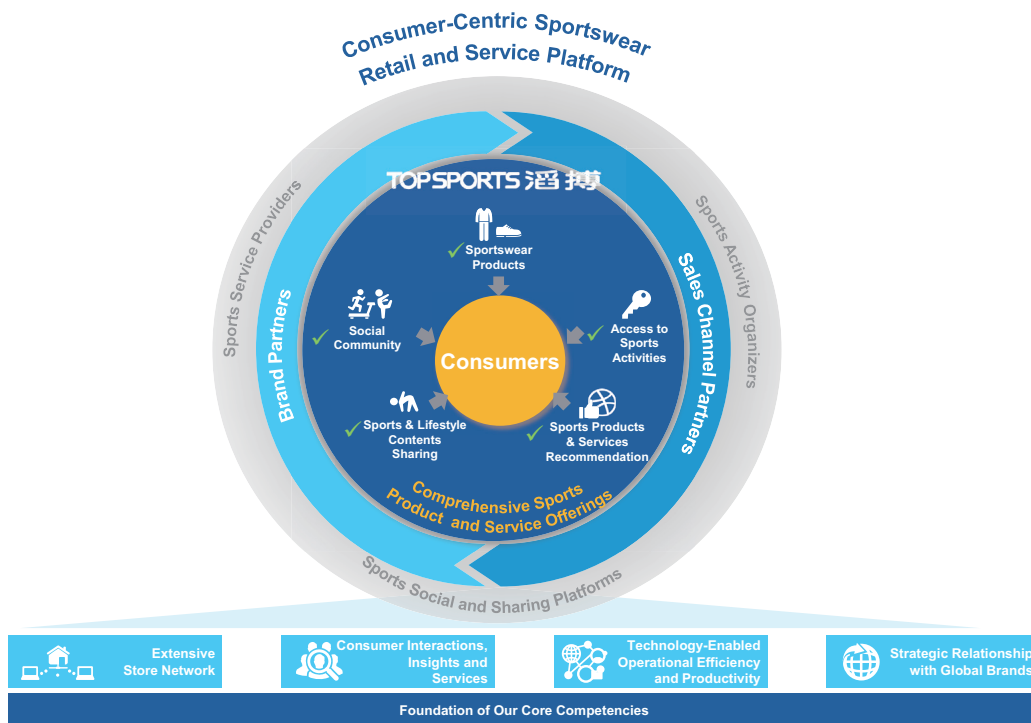
- With our valuable consumer knowledge and insight, our brand partners can design and produce better products for the China market, which in turn leads to our shared success. For certain of our brand partners, we have been able to improve their entire China strategy, including brand positioning and marketing, product and store design and retail pricing. Under our retail agreements with our brand partners, we purchase sportswear products from our brand partners for resale to consumers, and/or for distribution to downstream retailers. We typically distribute our brand partners’ sportswear products as a non-exclusive retailer in China. For details of our business arrangements with our brand partners, see “Business—Our Brand Portfolio and Suppliers”;

SUMMARY

- Our sales channel partners primarily include landlords or operators of department stores and shopping malls and our downstream retailers. We operate our stores on third parties' premises, including department stores, shopping malls and street-level standalone premises. We acquire rights to use these premises under either concessionaire agreements or lease agreements. In addition, we engage with downstream retailers mainly to supplement our directly-operated store network and expand our reach through the downstream retailers' own retail networks. Most of our downstream retailers operate mono-brand stores that are authorized by the relevant brand partners through us. For details of these business arrangements, see "Business—Our Management of Store Operations—Concessionaire and Lease Agreements" and "Business—Our Management of Downstream Retailers"; and
- We have developed a variety of media to reach out to consumers, and we piloted new services to match consumers' evolving interests, including our membership program, and our sports social and sharing platforms, such as our store-based consumer communities, our Topsports social media accounts and our e-Sports-related initiatives. Consumers can gain access to a variety of sports and social activities, which in return allows us to connect them with other platform partners, such as sports activity organizers and service providers. For details, see "Business—Our Sportswear Retail and Service Platform."

Together, we operate a vibrant sportswear retail and service platform centered on consumers, and we expect to continuously strengthen and expand our scalable platform by including new brands, channels and other platform partners.

The following diagram illustrates our consumer-centric sportswear retail and service platform:



OUR CONSUMER-CENTRIC SPORTSWEAR RETAIL AND SERVICE PLATFORM

Extensive Nationwide Directly-Operated Store Network

Our nationwide directly-operated store network is our most valuable asset and the irreplaceable foundation of our sportswear retail and service platform. As of the Latest Practicable Date, 99.3% of our 8,372 directly-operated stores were mono-brand stores. We operate these stores under the brand name of the sportswear products being sold. The unique advantage of the mono-brand store format, when combined with our extensive nationwide

SUMMARY

network of stores that are located in carefully chosen premises, provides a powerful medium for international sportswear brands to build their presence and brand image in China. We estimate that our directly-operated stores attract more than two million visitors each day, allowing us to engage in continuous, wide-reaching and direct interactions with consumers across China.

In addition to mono-brand stores, we operate multi-brand stores under our own store brand names, which primarily include “Topsports” and “Foss.” We also operate Sports Cities, which combine sportswear stores of different brands and operators in a centralized location. Most of the sportswear stores within our Sports Cities are operated by us directly, while the rest are operated by Independent Third Parties. For those third-party-operated stores, we charge either fixed or variable concessionaire fees calculated as percentage of sales.

We constantly look for attractive locations for new stores, and we seek to prudently expand the depth and breadth of our network. We also close suboptimal stores every year. In general, our new stores are larger in size than those we close. Moreover, we continuously optimize our network’s structure by upgrading stores with high sales potential. As our principal approach to store upgrading, we increase the size of a store by leasing more space adjacent to an existing store wherever possible. We also invest in the interior decor and display of existing stores to add to consumer appeal.

The following table sets forth the numbers and percentages of our stores by size as of the dates indicated.

	2017		As of February 28, 2018		2019		As of May 31, 2018		2019	
		%		%		%		%		%
<i>Store size:</i>										
150 sq.m or smaller	5,918	77.8	6,268	75.5	5,947	71.3	6,286	73.2	5,726	69.7
Between 150 and 300 sq.m	1,487	19.6	1,779	21.4	1,978	23.7	1,887	22.0	1,999	24.3
Larger than 300 sq.m	200	2.6	255	3.1	418	5.0	416	4.8	489	6.0
Total	<u>7,605</u>	<u>100.0</u>	<u>8,302</u>	<u>100.0</u>	<u>8,343</u>	<u>100.0</u>	<u>8,589</u>	<u>100.0</u>	<u>8,214</u>	<u>100.0</u>
							From May 31, 2018 to May 31, 2019		Period from February 28, 2019 to the Latest Practicable Date	
			Year ended February 28, 2017	2018	2019					
Growth rate of Gross Selling Area of our stores			<u>13.0%</u>	<u>11.4%</u>	<u>9.3%</u>		<u>2.4%</u>		<u>5.3%</u>	

As of the Latest Practicable Date, we had 8,372 directly-operated stores. As our larger stores generally have more diverse product portfolios and higher staffing levels to provide a better shopping experience, these stores usually achieve higher single-store sales among all our stores.

Benefiting from our carefully selected store locations, product procurement driven by our consumer insights, and our systemized approach towards our operations, we believe that we have achieved industry-leading productivity and operational efficiency. According to Frost & Sullivan, our estimated average retail sales value (inclusive of VAT) per directly-operated store in the year ended December 31, 2018 was the highest among the five largest sportswear retailers in China. Our average retail sales value (inclusive of VAT) per directly-operated store grew steadily throughout the Track Record Period as indicated in the following table.

SUMMARY

	For the year ended February 28,			For the three months ended
	2017	2018	2019	May 31, 2019
	<i>(RMB in millions)</i>			
Average retail sales value (inclusive of VAT) per directly-operated store	<u>3.0</u>	<u>3.3</u>	<u>3.8</u>	<u>1.0</u>

The following table sets forth our revenue from sale of goods by sales channel for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
	<i>(RMB in millions, except for percentages)</i>									
	<i>(Unaudited)</i>									
Channel										
Retail operations	19,711.1	91.7	23,803.9	90.4	28,974.0	89.6	6,968.4	88.9	7,823.9	88.3
– Mono-brand stores	18,586.8	86.5	22,351.2	84.9	27,081.0	83.8	6,486.7	82.7	7,133.1	80.5
– Other retail operations ⁽¹⁾	1,124.3	5.2	1,452.7	5.5	1,893.0	5.8	481.7	6.2	690.8	7.8
Wholesale operations	1,787.3	8.3	2,516.9	9.6	3,356.6	10.4	871.8	11.1	1,035.9	11.7
Total revenue from sale of goods	<u>21,498.4</u>	<u>100.0</u>	<u>26,320.8</u>	<u>100.0</u>	<u>32,330.6</u>	<u>100.0</u>	<u>7,840.2</u>	<u>100.0</u>	<u>8,859.8</u>	<u>100.0</u>

Note:

(1) Comprises revenue from our multi-brand stores and online shops.

The following table sets forth a breakdown of our gross profit and gross profit margins for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>Amount</i>	<i>Gross profit margin</i>	<i>Amount</i>	<i>Gross profit margin</i>	<i>Amount</i>	<i>Gross profit margin</i>	<i>Amount</i>	<i>Gross profit margin</i>	<i>Amount</i>	<i>Gross profit margin</i>
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
	<i>(Unaudited)</i>									
Retail operations	8,871.5	45.0	10,471.6	44.0	12,952.6	44.7	3,229.9	46.4	3,633.2	46.4
Wholesale operations	315.0	17.6	337.6	13.4	420.9	12.5	139.4	16.0	169.3	16.3
Concessionaire fee income	191.9	N/A	229.1	N/A	233.8	N/A	61.9	N/A	77.3	N/A
Total Gross Profit	<u>9,378.4</u>	<u>43.2</u>	<u>11,038.3</u>	<u>41.6</u>	<u>13,607.3</u>	<u>41.8</u>	<u>3,431.2</u>	<u>43.4</u>	<u>3,879.8</u>	<u>43.4</u>

Our Membership Program

We redesigned and relaunched our “TopFans” membership program in May 2018 to offer our loyal members a wider variety of benefits in terms of products, services and activities.

- *Products.* Members can receive membership discounts on their purchases, and they earn reward points for each qualified purchase. They can redeem their reward points for goods at our online reward points mall or, in certain cases, for cash rebates. Depending on their membership level, members can also participate in our raffle events to win first-purchase priority for limited-edition sportswear products and have priority in ordering newly launched products.

SUMMARY

- *Services.* We provide members with ancillary services that cater to their sports-related needs. Popular ancillary services we offer include free professional sneaker care services and free same-city courier services for sportswear products purchases. Where available, we also recommend local sports training services to our members by offering them free trial lessons provided by our platform partners.
- *Activities.* We use our membership program to connect members with various types of platform partners, and we furnish them with a wide variety of sports and social activities.

As of the Latest Practicable Date, we had approximately 22.0 million enrolled members.

We believe that by offering services and other benefits to our loyal consumers, our membership program has made substantial and increasing contributions to our revenue growth since its relaunch. Our members contributed 36.6%, 41.5%, 52.3% and 70.8% of our total in-store retail sales value (inclusive of VAT) for the quarters ended in August 31 and November 30, 2018 and February 28 and May 31, 2019, respectively.

Our Store-Based Consumer Communities

Our extensive store network and frontline staff provide us with opportunities to interact with an estimate of millions of local consumers on a daily basis. To expand such interactions beyond our brick-and-mortar stores, we have been building store-based consumer communities using popular social media platforms since 2018.

Through store-level consumer chat groups and store-level social media accounts, our frontline staff can initiate topic-driven discussions to captivate consumers' interest and increase their out-of-store engagement. In addition to general store-based groups, our frontline staff form interest-based chat groups for consumers with similar interests to support in-depth discussions about particular sports, brands and products. Beyond consumer engagement, we also use these groups to provide customer services regardless of time and place.

To enhance our consumer engagement, our frontline staff, from time to time, produce online sports- and lifestyle-related content and push this content through our store-based consumer chat groups and/or our store-level social media accounts.

We have successfully connected our stores' systems with the online shopping functions of our "Store Mini-Programs." This connectivity further improves consumer experience by allowing consumers to place orders with their store of choice through that store's consumer chat group.

Our Multi-faceted Consumer Outreach Efforts

We have been actively exploring new ways to reach out to potential consumers, who may not have visited our stores, and piloting new value-added services to match consumers' evolving interests.

We use our principal Topsports social media account to circulate carefully-curated editorial content to our followers. As a testament of the quality and popularity of our content, this account had over 14.8 million followers as of the Latest Practicable Date. Articles published by our principal Topsports account regularly receive more than 100,000 views ("十萬加"), a widely used popularity benchmark for China's social media content.

To engage with China's rapidly expanding e-Sports population, we established our e-Sports club—"Top eSports"—in 2017 and acquired permanent league franchise rights in the League of Legends Professional League and the Honor of Kings Professional League in December 2017 and August 2018, respectively. Top eSports is among China's top e-Sports clubs and has built a vast and active fan base in China, with our Top eSports account on Weibo ranking among the top 30 Weibo gaming-content accounts in terms of monthly views during the first five months of 2019. We believe our efforts into e-Sports will allow us to tap into China's e-Sports population and eventually bring them our platform's product and service offerings.

SUMMARY

Our Other Sales Channels

To further expand the reach of our business, we use downstream retailers to distribute sportswear products that we source from our brand partners. As of the Latest Practicable Date, we had 1,103 downstream retailers which collectively operated 1,957 physical stores across China, including two online downstream retailers, each of which operated its own online retail platform. We also operate our own online shops on certain of China's online retail platforms to supplement our physical retail network.

OUR BRAND PORTFOLIO AND SUPPLIERS

Our Brand Portfolio

To appeal to China's consumer demographics across age, gender, sports interests and income levels, we have successfully built a diverse portfolio of highly recognizable international sportswear brands, which allows us to offer a wide range of sportswear products targeting different customers. As of the Latest Practicable Date, our brand portfolio primarily included Nike, adidas, Puma, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), Reebok, ASICS, Onitsuka Tiger and Skechers. Among these brands, the Principal Brands—Nike and adidas—are our two largest brands in terms of both sales revenue contribution and depth of collaboration. We continuously evaluate our brand portfolio to consider new brands that suit Chinese consumers' needs and preferences. Our sale of goods under the Principal Brands accounted for 90.0%, 89.4%, 87.4% and 88.8% of our total revenue from sale of goods for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively.

Our Brand Relationships

We have been a strategic partner for major international sportswear brands in the Chinese market for many years. In particular, we have been partnering with Nike in the last 20 years, and we are currently its second-largest global retail partner and customer. In addition, we are adidas' largest retail partner and customer globally, having had a strategic partnership with adidas for 15 years. Over the years, we have contributed to the continuous expansion of these two brands' footprints in China and their success as the best-selling international brands in China's sportswear market, according to Frost & Sullivan. As of the Latest Practicable Date, in aggregate we operated 6,663 mono-brand stores for our Principal Brands in China, accounting for 80.1% of the total number of our mono-brand stores as of the same date. With our continuous efforts, we have developed these mono-brand stores into key locations for shopping and brand image enhancement. We also collaborated with the Principal Brands in pioneering Strategic Stores formats in China. For details of these Strategic Stores, see "—Our Sportswear Retail and Service Platform—Case Study: Strategic Stores." In addition to the Principal Brands, we are also a retail partner of nine other international sportswear brands as of the Latest Practicable Date.

OUR DIGITAL TRANSFORMATION INITIATIVES

We continuously deploy technological measures to optimize our operations and enhance our productivity and efficiency. As part of these efforts, in recent years, we have piloted a number of initiatives to digitally transform our operations. We have aligned our transformation initiatives in three primary dimensions: frontline staff, store operations and merchandise management.

Empowering Frontline Staff

We have developed a digital toolkit based on our accumulated know-how in store-operation management to empower our frontline staff and regional managers. Our digital toolkit installed on mobile devices provides users with access to real-time data of our stores. This toolkit uses embedded algorithms to automatically perform multi-dimensional analysis on those operational data. We have used the toolkit to manage our in-store merchandise, staff, sales-target, and processes, among others.

SUMMARY

Digitally Enhancing Store Operations

To have a better understanding of consumers' shopping preferences and patterns and to accumulate know-how more scientifically, we have deployed smart-store systems on a pilot basis. These systems enable us to effectively monitor in-store activities from three dimensions: consumers, products and shopping areas. Best practices and know-how developed from our pilot smart stores can be implemented more broadly to improve the overall performance of our nationwide store network.

Optimizing Merchandise Management

Effective merchandise management is vital for ensuring superior consumer experience and improving store sales efficiency, as it drives our business plans and our decision-making for merchandise procurement and inventory replenishment. Given its critical nature, we have invested significant resources and efforts in enhancing our merchandise management practice. In recent years, we have made significant progress in digitizing and systemizing our merchandise analytics and categorization processes, making our merchandise management more robust and our merchandise-related decisions more accurate.

COMPETITIVE STRENGTHS

We believe that the following strengths have been critical to our success and will continue to position us for future growth:

- The largest sportswear retailer in China with the most extensive and deeply penetrating directly-operated sportswear store network;
- Continuous, wide-reaching and direct interactions with consumers leading to deep consumer insights and differentiated consumer services and experiences;
- Technology-enabled systemized retail operations resulting in best-in-class operational efficiency and productivity to drive future growth;
- Strategic partner for the world's leading sports brands; and
- Highly motivated, experienced and visionary management team.

BUSINESS STRATEGIES

We plan to fulfill our mission by implementing the following strategies:

- Accelerate our digital transformation;
- Expand and continuously upgrade our store network;
- Drive deeper integration between digital and physical consumer engagement;
- Expand our brand offerings and deepen collaboration with brand partners;
- Continue to attract, develop and retain high-caliber employees; and
- Further enrich our consumer-centric platform offerings.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary Consolidated Statements of Profit or Loss

	For the year ended February 28,			For the three months ended May 31,	
	2017	2018	2019	2018	2019
	<i>RMB million</i>				
	<i>(Unaudited)</i>				
Revenue	21,690.3	26,549.9	32,564.4	7,902.1	8,937.1
Cost of sales	(12,311.9)	(15,511.6)	(18,957.1)	(4,470.9)	(5,057.3)
Gross profit	9,378.4	11,038.3	13,607.3	3,431.2	3,879.8
Selling and distribution expenses	(6,097.5)	(7,327.8)	(9,247.5)	(2,252.5)	(2,453.1)
General and administrative expenses	(1,384.7)	(1,538.0)	(1,293.2)	(322.1)	(397.2)
Impairment on trade receivables	—	—	(33.7)	—	—
Other income	43.7	79.5	203.9	23.7	54.8
Operating profit	1,939.9	2,252.0	3,236.8	880.3	1,084.3
Finance income	41.7	11.3	20.0	4.2	2.8
Finance costs	(89.6)	(149.5)	(211.5)	(47.9)	(61.5)
Finance costs, net	(47.9)	(138.2)	(191.5)	(43.7)	(58.7)
Profit before income tax	1,892.0	2,113.8	3,045.3	836.6	1,025.6
Income tax expense	(574.7)	(677.8)	(845.5)	(239.5)	(288.9)
Profit for the period	<u>1,317.3</u>	<u>1,436.0</u>	<u>2,199.8</u>	<u>597.1</u>	<u>736.7</u>
Non-IFRS Measures					
Operating profit for the period	1,939.9	2,252.0	3,236.8	880.3	1,084.3
Adding back:					
Share-based compensation expense	193.8	347.4	—	—	—
Amortization of intangible assets arising from business combination ⁽¹⁾	35.6	35.6	35.6	8.9	8.9
Listing expenses	—	—	10.0	—	33.1
Non-IFRS Measure— Adjusted operating profit for the period⁽²⁾	<u>2,169.3</u>	<u>2,635.0</u>	<u>3,282.4</u>	<u>889.2</u>	<u>1,126.3</u>
Profit for the period	1,317.3	1,436.0	2,199.8	597.1	736.7
Adding back:					
Share-based compensation expense	193.8	347.4	—	—	—
Amortization of intangible assets arising from business combination, net of deferred tax ⁽¹⁾	26.7	26.7	26.7	6.7	6.7
Listing expenses	—	—	10.0	—	33.1
Non-IFRS Measure— Adjusted profit for the period⁽²⁾	<u>1,537.8</u>	<u>1,810.1</u>	<u>2,236.5</u>	<u>603.8</u>	<u>776.5</u>

SUMMARY

Note:

- (1) The amortization of our intangible assets arising from business combination is an adjustment item that is non-cash in nature. Our intangible assets arising from business combination are expected to be fully amortized by March 2020.
- (2) Our adjusted operating profit for the period and adjusted profit for the period are not calculated in accordance with IFRS, and they are considered non-IFRS financial measures. We believe that adjusted operating profit and adjusted profit are useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow, and they allow investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measures a substitute for or superior to our IFRS results.

Summary Consolidated Balance Sheets

	As of February 28,			As of
	2017	2018	2019	May 31, 2019
	<i>RMB million</i>			
Total current assets	7,826.5	9,340.1	10,160.9	11,046.3
Total current liabilities	5,911.9	8,766.3	11,839.2	11,973.5
Net current assets/(liabilities)	1,914.6	573.8	(1,678.3)	(927.2)
Total assets less current liabilities	6,269.6	5,586.5	4,377.2	5,029.6
Net assets	4,894.2	3,781.4	1,948.8	2,686.7
Equity attributable to equity holders of our Company	4,894.2	3,781.4	1,948.8	2,686.7

Our net current liabilities position as of February 28, 2019 resulted primarily from our declaration of a dividend of RMB3.5 billion, which will be settled within one year of the Listing Date. We had considerably improved this position as of May 31, 2019, as evidenced by the RMB751.1 million decrease in our net current liabilities, which was primarily attributable to the net profit of RMB736.7 million that we generated in the three months ended May 31, 2019. We also expect to improve this position after we use part of the net proceeds from the Global Offering to settle part of our current liabilities. Please see “Future Plans and Use of Proceeds” for more information.

Our net assets decreased from RMB4,894.2 million as of February 28, 2017 to RMB3,781.4 million as of February 28, 2018, primarily because the sum of (i) dividends of RMB2,217.0 million paid by our subsidiaries to their then equity holders and (ii) repatriation of share-based compensation expense to Belle International of RMB679.2 million, exceeded the sum of (x) our net profit of RMB1,436.0 million and (y) share-based compensation expenses contributed by Belle International of RMB347.4 million in the year ended February 28, 2018. Our net assets further decreased from February 28, 2018 to RMB1,948.8 million as of February 28, 2019, primarily because the sum of (i) dividends of RMB3,500.0 million we declared to our shareholders and (ii) dividends of RMB574.3 million paid by our subsidiaries to their then equity holders exceeded our net profit of RMB2,199.8 million in the year ended February 28, 2019.

In addition, our intangible assets amounted to RMB1,112.1 million, RMB1,076.5 million, RMB1,144.8 million and RMB1,132.8 million as of February 28, 2017, 2018 and 2019 and May 31, 2019, accounting for 9.1%, 7.5%, 7.1% and 6.7% of our total assets of these respective dates. Our intangible assets primarily consist of goodwill, distribution and licenses contracts, and e-Sports licenses and contracts. Please see “Financial Information—Discussion of Certain Key Balance Sheet Items—Non-Current Assets and Liabilities—Intangible Assets” for more information.

SUMMARY

Summary Consolidated Statements of Cash Flows

	For the year ended February 28,			For the three months ended May 31,	
	2017	2018	2019	2018	2019
	<i>RMB million</i>			<i>(Unaudited)</i>	
Net cash generated from operating activities	1,828.6	2,676.8	3,146.2	75.6	125.2
Net cash generated from/(used in) investing activities	1,134.5	(742.0)	(982.5)	(501.6)	(111.2)
Net cash (used in)/generated from financing activities	(2,772.9)	(2,545.5)	(1,776.8)	77.9	(600.0)
Net increase/(decrease) in cash and cash equivalents	190.2	(610.7)	386.9	(348.1)	(586.0)
Cash and cash equivalents at beginning of the year/period	484.1	674.3	63.6	63.6	450.5
Cash and cash equivalents at end of the year/period	<u>674.3</u>	<u>63.6</u>	<u>450.5</u>	<u>(284.5)</u>	<u>(135.5)</u>
Cash and cash equivalents comprise of:					
Bank balances and cash	674.3	463.6	650.5	615.5	762.7
Bank overdrafts	–	(400.0)	(200.0)	(900.0)	(898.2)
	<u>674.3</u>	<u>63.6</u>	<u>450.5</u>	<u>(284.5)</u>	<u>(135.5)</u>

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of and for the year ended February 28,						As of and for the three months ended May 31,	
	2017		2018		2019		2019	
	<i>Non-IFRS</i>		<i>Non-IFRS</i>		<i>Non-IFRS</i>		<i>Non-IFRS</i>	
	<i>Measure—</i>		<i>Measure—</i>		<i>Measure—</i>		<i>Measure—</i>	
	<i>Actual</i>	<i>Adjusted</i>	<i>Actual</i>	<i>Adjusted</i>	<i>Actual</i>	<i>Adjusted</i>	<i>Actual</i>	<i>Adjusted</i>
Operating profit margin	8.9%	10.0%	8.5%	9.9%	9.9%	10.1%	12.1%	12.6%
Net profit margin	6.1%	7.1%	5.4%	6.8%	6.8%	6.9%	8.2%	8.7%
Return on equity	26.6%	31.1%	33.1%	41.7%	76.8%	78.1%	N/A	N/A
Return on assets	11.5%	13.4%	10.8%	13.6%	14.4%	14.6%	N/A	N/A
Inventory turnover days	103.6	N/A	103.2	N/A	103.5	N/A	115.2	N/A
Gearing ratio ⁽¹⁾	Net cash	N/A	Net cash	N/A	25.0%	N/A	31.5%	N/A

Note:

- (1) Net (cash)/debt divided by total capital. Net debt is calculated as short-term bank borrowings less bank balances and cash. Total capital is calculated as total equity plus net debt.

Please see the section headed “Financial Information—Key Financial Ratios” in this prospectus for more information, including the calculation methods for these financial ratios.

SUMMARY

RISK FACTORS

There are certain risks involved in our operations, some of which are beyond our control. These risks can be broadly categorized into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the Global Offering. We believe that the most significant risks we face include:

- Our sales depend on our ability to understand and timely respond to changes in consumer preferences and spending patterns.
- Our results of operations may be negatively affected if the brands and sportswear products that we offer lose their popularity including as a result of negative publicity.
- We operate in a highly competitive and fast-changing market, and increased competition may limit our growth and reduce our profitability.
- We may not be able to successfully expand our store network. If we are unable to identify and secure suitable locations for new stores on commercially acceptable terms, our expansion and growth prospects may be adversely affected.
- Our investment in technology may not generate expected returns.
- If we fail to maintain good relationships or renew our retail agreements with our brand partners, our profitability and business prospects may be materially and adversely affected.
- If we do not successfully manage our inventory levels, our business may be materially and adversely impacted.
- Changes in the business prospects of our acquisitions may result in goodwill impairment, which could adversely affect our results of operations and financial condition.
- We may need to provide impairment loss for our intangible assets, which could negatively affect our results of operations and financial condition.

RECENT DEVELOPMENTS

In July and August 2019, we paid an aggregate of RMB1,598.0 million out of the RMB3.5 billion dividend that we declared in the year ended February 28, 2019. As of the Latest Practicable Date, the balance of our dividend payable was RMB1,902.0 million.

Our Directors confirm that there has been no material adverse change in our financial or trading position since May 31, 2019 and up to the date of this prospectus.

SHAREHOLDER INFORMATION

Immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised), Muse Holdings, through its various wholly-owned subsidiaries, namely Muse M, Muse B, Belle International and Belle Sports, will hold approximately 85% of the total issued share capital of our Company. Therefore, each of the Muse Entities, Belle International and Belle Sports is a Controlling Shareholder. In addition, WMVL and Hillhouse HHBH each holds 46.36% and 44.48% of the total issued share capital of Muse Holdings, respectively. Hillhouse HHBH is ultimately controlled by Hillhouse LP and the sole investment manager of Hillhouse LP is Hillhouse Capital. Accordingly, WMVL, Hillhouse HHBH, Hillhouse LP and Hillhouse Capital are also considered as the Controlling Shareholders.

SUMMARY

CONTINUING CONNECTED TRANSACTIONS WITH THE BELLE GROUP

We have entered into certain continuing connected transactions with Belle International and/or its associates regarding intellectual properties licensing, leasing of properties, logistics services and e-commerce services. For details of these continuing connected transactions, please refer to the section headed “Connected Transactions” in this prospectus.

DIVIDEND POLICY

Our subsidiaries paid dividends of RMB1,614.9 million, RMB2,217.0 million and RMB574.3 million to their then shareholders for the years ended February 28, 2017, 2018 and 2019, respectively. For the year ended February 28, 2019, our Company declared RMB3.5 billion in dividend to our sole shareholder, Belle Sports, and we had paid RMB1,598.0 million of this dividend as of the Latest Practicable Date. We plan to pay off the remaining amount of this dividend within one year following the Listing Date using internally generated funds, potentially net proceeds from the Global Offering and, if needed, external borrowings. See “Future Plans and Use of Proceeds—Use of Proceeds” for more information.

As a Cayman Islands company, any dividend recommendation will be made at the discretion of our Directors subject to the Cayman Companies Law and our Articles of Association. The declaration, payment and amount of dividends will depend on our results of operations, our financial condition, strategies or needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, contractual and legal restrictions and other factors that our Directors may deem relevant. Subject to the above limitations, we expect that we may, from time to time, pay dividends of approximately 50% of our annual net profit attributable to the equity holders of our Company. We may, however, adjust the dividend amount for one-off or non-cash items impacting our net profit. See the section headed “Financial Information—Dividend Policy” in this prospectus for more information.

REASONS FOR SEEKING THE LISTING ON THE STOCK EXCHANGE

Our Directors consider that we are ready to re-enter the capital markets by seeking a listing on the Stock Exchange, which will support our business development strategies, and will be beneficial to us and our Shareholders as a whole for the following reasons:

- we have launched and implemented the initiatives and our completion of the Reorganization signified a clear business delineation of our Group from the Other Belle Businesses. Given that our business and the Other Belle Businesses are at different stages of development and rely on different business models, the Listing will allow us to pursue our own business strategies that better suit our own needs;
- the growth potential of the sportswear sector is increasingly being acknowledged and rewarded by the capital markets. Since the Privatization of Belle International in June 2017, valuations of China-based sportswear-related companies have seen significant appreciation. Prior to the Privatization, our Group had maintained continuing growth in revenue and net profit, and since the Privatization, this trend has continued. As a result, the scale of our Group has increased markedly, with revenue and net profit having increased by approximately 50.1% and 67.0%, respectively, between the year ended February 28, 2017 and the year ended February 28, 2019;
- further investment in technology-enabled retail operations may be capital intensive. The Listing will provide us with direct and independent access to the capital markets, when needed;
- being a Stock Exchange-listed company will further raise our profile, which will enhance our ability to attract more talent (especially the high-calibre talent for our various technology initiatives), business partners (including brand companies) and potential strategic investors; and
- the share price performance of our Company will serve as a benchmark for our Shareholders and the investing public to independently evaluate our performance.

SUMMARY

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$8.30 per Offer Share	Based on an Offer Price of HK\$10.10 per Offer Share
Market capitalization of our Shares ⁽¹⁾	HK\$51,470.1 million	HK\$62,632.3 million
Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽²⁾	HK\$1.48	HK\$1.75

Note:

- (1) The calculation of market capitalization is based on 930,184,000 Shares expected to be issued under the Global Offering, and that 6,201,222,024 Shares will be in issue and outstanding immediately following the completion of the Capitalization Issue and the Global Offering.
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus and on the basis that 6,201,222,024 Shares will be in issue immediately following the completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

Assuming an Offer Price of HK\$9.20 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK\$8,557.7 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK\$8,256.8 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately HK\$800.0 million, or 9.7%, will be used to invest in technology initiatives for our business;
- approximately HK\$3,717.4 million, or 45.0%, will be used to repay outstanding amounts due to Belle International and our fellow subsidiaries;
- approximately HK\$2,210.5 million, or 26.8%, will be used to repay our short-term bank borrowings;
- approximately HK\$825.7 million, or 10.0%, will be used for our working capital and other general corporate purposes; and
- approximately HK\$703.2 million, or 8.5%, will be used for settlement of our dividend payable.

The net proceeds intended to be used to invest in technology initiatives and the net proceeds intended to be used to settle the amounts due to Belle International and our fellow subsidiaries and the short-term bank borrowings are not expected to change. Subject to the above, in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range, the Company would prioritize the net proceeds intended to be used as general working capital, the amount of which will not, in any event, exceed 10% of the net proceeds, and the remaining balance of the net proceeds, if any, would be used to settle the above-mentioned dividend payable.

The Over-allotment Option will be granted by the Selling Shareholder and accordingly, the Company will not receive any proceeds from the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, after deducting the underwriting commissions, SFC transaction levy and the Stock Exchange trading fee and based on the Offer Price of HK\$9.20 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the net proceeds which the Selling Shareholder will receive from such exercise of the Over-allotment Option will be approximately HK\$1,251.5 million.

LISTING EXPENSES

We incurred approximately HK\$47.6 million of listing expenses during the Track Record Period, which were recognized as expenses. We expect to incur approximately HK\$253.3 million of listing expenses (including underwriting commissions, assuming full payment of discretionary incentive fee) after the Track Record Period, of which approximately HK\$226.1 million will be capitalized and HK\$27.2 million will be recognized as expenses after the Listing for the year ending February 29, 2020.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Accountant’s Report”	the report of our Company’s reporting accountant, PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, conditionally adopted on September 6, 2019 and which will become effective on the Listing Date (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“Audit Committee”	the audit committee of the Board
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended or supplemented from time to time
“Belle Group”	the Belle International Group excluding our Group
“Belle International”	Belle International Holdings Limited, an exempted company incorporated in the Cayman Islands on May 19, 2004 with limited liability and a Controlling Shareholder
“Belle International Group”	Belle International and its subsidiaries from time to time
“Belle International Share”	ordinary shares of HK\$0.01 each in the share capital of Belle International
“Belle Sports”	Belle Sports Limited 百麗體育有限公司, a company incorporated in the BVI with limited liability on September 7, 2018 and a Controlling Shareholder

DEFINITIONS

“Big Step”	Big Step Limited, a company incorporated in the BVI with limited liability on April 12, 2007, a subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 5,271,038,023 Shares to be made upon the capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “History, Reorganization and Corporate Structure—The Capitalization Issue” in this prospectus
“Cayman Companies Law”	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
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDH Fund V Group”	CDH Fund V, L.P. and its affiliates

DEFINITIONS

“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, the Hong Kong and Macau Special Administrative Regions of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	Topsports International Holdings Limited 滔搏國際控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability on September 5, 2018
“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to the Muse Entities, Belle International, Belle Sports, WMVL and the Hillhouse Entities
“Director(s)”	the director(s) of our Company
“Double Increase”	Double Increase Limited, a company incorporated in the BVI with limited liability on March 1, 2017, a subsidiary of Belle International and a connected person of our Company
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Facility Agreement”	the facility agreement dated April 28, 2017 (as amended and/or restated) entered into, amongst others, Muse B as borrower and Bank of America, N.A. as arranger, agent and security agent
“Frost & Sullivan”	Frost & Sullivan International Limited, a global market research and consulting company, which is an Independent Third Party

DEFINITIONS

“Frost & Sullivan Report”	an industry report commissioned by us for a fee of HK\$776,000 issued by Frost & Sullivan, a private independent research firm, containing an analysis of overview of China’s sports footwear and apparel retail market for the period from 2014 to 2023 and other relevant economic data, as referred in the section headed “Industry Overview” in this prospectus
“Full Grace (BVI)”	Full Grace Limited, a company incorporated in the BVI with limited liability on October 25, 2005, a subsidiary of Belle International and a connected person of our Company
“Full Grace (HK)”	Full Grace Limited, a company incorporated in Hong Kong with limited liability on March 21, 2006, a subsidiary of Belle International and a connected person of our Company
“Full Sport”	Full Sport Holdings Limited, a company incorporated in Hong Kong with limited liability on November 1, 2006, a subsidiary of Belle International and a connected person of our Company
“Full State”	Full State Corporation Limited, a company incorporated in Hong Kong with limited liability on September 13, 2007, a subsidiary of our Company
“Fullbest Investments”	Fullbest Investments Limited, a company incorporated in the BVI with limited liability on February 8, 2005, a subsidiary of our Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Good Stage”	Good Stage Limited, a company incorporated in Hong Kong with limited liability on October 26, 2006, a subsidiary of Belle International and a connected person of our Company
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Group”, “our Group”, “we”, “our” or “us”	our Company and its subsidiaries from time to time or, where the context so requires in respect of the period before our Company became the holding company of its present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“HIBOR”	Hong Kong Inter-bank Offered Rate
“Hillhouse Capital”	Hillhouse Capital Management, Ltd., a company incorporated in the Cayman Islands with limited liability on April 8, 2005, the sole investment manager of Hillhouse LP and one of our Controlling Shareholders
“Hillhouse Entities”	Hillhouse HHBH, Hillhouse LP and Hillhouse Capital
“Hillhouse HHBH”	Hillhouse HHBH Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability on April 6, 2017 and one of our Controlling Shareholders
“Hillhouse LP	Hillhouse Fund III, L.P., an exempted limited partnership registered in the Cayman Islands on January 11, 2016 and one of our Controlling Shareholders
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 93,020,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Hong Kong Takeovers Code” or “Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated September 25, 2019 relating to the Hong Kong Public Offering and entered into by our Company, Belle Sports, Belle International, Muse Holdings, WMVL, Hillhouse HHBH, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters
“Hongkong Full Wealth”	Hongkong Full Wealth Holdings Limited, a company incorporated in Hong Kong with limited liability on January 18, 2007, a wholly-owned subsidiary of our Company
“IAS”	International Accounting Standards
“IFRSs” or “IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Indebtedness Date”	July 31, 2019, being the indebtedness date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
“International Offer Shares”	the 837,164,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option, subject to reallocation

DEFINITIONS

“International Offering”	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act
“International Underwriters”	a group of international underwriters, led by the Joint Global Coordinators, that is expected to enter in to the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by us, the Selling Shareholder, certain Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the International Underwriters on or about October 2, 2019, as further described in the section headed “Underwriting” in this prospectus
“IP Licensing Agreement”	the intellectual properties licensing agreement entered into among us, Belle International, Yunsheng Haihong Information Technology (Shenzhen) Company Limited (雲盛海宏信息技術(深圳)有限公司) and New Belle Footwear (SZ) on June 25, 2019 as amended and restated on September 20, 2019 in relation to, amongst other things, the licensing of the Relevant Trademarks, details of which is set out in the section headed “Connected Transactions—IP Licensing Agreement” in this prospectus
“Joint Bookrunners”	Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Credit Suisse (Hong Kong) Limited, China Securities (International) Corporate Finance Company Limited, ICBC International Capital Limited and CMB International Capital Limited

DEFINITIONS

“Joint Global Coordinators”	Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C. and China International Capital Corporation Hong Kong Securities Limited
“Joint Lead Managers”	Merrill Lynch (Asia Pacific) Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited, The Hongkong and Shanghai Banking Corporation Limited, Credit Suisse (Hong Kong) Limited, China Securities (International) Corporate Finance Company Limited, ICBC International Securities Limited and CMB International Capital Limited
“Joint Sponsors”	Merrill Lynch Far East Limited and Morgan Stanley Asia Limited
“Latest Practicable Date”	September 17, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about October 10, 2019 on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

DEFINITIONS

“Main Success”	Main Success Enterprises Limited, a company incorporated in Hong Kong with limited liability on September 8, 2006, a subsidiary of our Company
“Macau”	the Macau Special Administrative Region of the PRC
“Maximum Offer Price”	HK\$10.10 per Offer Share, being the maximum subscription price in the indicative Offer Price range stated in this prospectus
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on September 6, 2019 and which will become effective on the Listing Date (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“MOFCOM”	The Ministry of Commerce of the PRC
“Muse B”	Muse Holdings-B Inc., an exempted company incorporated in the Cayman Islands with limited liability which is wholly-owned by the Muse M and a Controlling Shareholder
“Muse Entities”	Muse B, Muse M and Muse Holdings
“Muse Holdings”	Muse Holdings Inc., an exempted company incorporated in the Cayman Islands with limited liability and a Controlling Shareholder
“Muse M”	Muse Holdings-M Inc., an exempted company incorporated in the Cayman Islands with limited liability which is wholly-owned by Muse Holdings and a Controlling Shareholder
“NBA China”	NBA Sports and Culture Development (Beijing) Co., Ltd.
“New Belle Footwear (SZ)”	New Belle Footwear (Shenzhen) Co., Ltd. (新百麗鞋業(深圳)有限公司), a company incorporated in the PRC on October 11, 2004 which is a subsidiary of Belle International and our connected person
“Nomination Committee”	the nomination committee of our Board
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)

DEFINITIONS

“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by the Selling Shareholder to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which the Selling Shareholder may be required to sell up to an aggregate of 139,527,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“Price Determination Date”	the date, expected to be on or about October 2, 2019, on which the Offer Price will be determined and, in any event, not later than October 9, 2019
“Principal Brands”	Nike and adidas
“Principal Operating Subsidiaries”	our 30 principal subsidiaries incorporated/established/acquired in the PRC which made a material contribution to our results of operations during the Track Record Period as set out in the section headed “II. Notes to the Historical Financial Information—2. Reorganization and Basis of Presentation—2.1 Reorganization” in the Accountant’s Report in Appendix I to this prospectus
“Principal Share Registrar”	Maples Fund Services (Cayman) Limited

DEFINITIONS

“Privatization”	the privatization of Belle International by Muse B by way of a scheme of arrangement under Section 86 of the then Companies Law (2016 Revision) of the Cayman Islands and the restoration of the share capital of Belle International to the amount immediately before the cancellation of the shares in Belle International, and the withdrawal of the listing of the Belle International Shares from the Stock Exchange, on the terms and conditions set out in the scheme document of Belle International dated June 24, 2017
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Trademarks”	the trademarks registered or applied to be registered in the name of New Belle Footwear (SZ) and licensed to us pursuant to the IP Licensing Agreement. For further details, please refer to the section headed “Statutory and General Information—B. Further about our Business—2. Intellectual Property Rights of our Group—(a) Trademarks” in Appendix IV to this prospectus
“Remuneration Committee”	the remuneration committee of our Board
“Reorganization”	the corporate reorganization undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganization and Corporate Structure—Reorganization” in this prospectus
“Rich Advance”	Rich Advance Limited, a company incorporated in Hong Kong with limited liability on October 26, 2006, a subsidiary of our Company
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)

DEFINITIONS

“SAFE Circular 37”	The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知)
“SCBL”	Superise Colorful Brands Limited, a company incorporated in the BVI with limited liability
“Selling Shareholder”	Belle Sports, particulars of which are set out in the section headed “Statutory and General Information—D. Other Information—11. Particulars of the Selling Shareholder” in Appendix IV to this prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	shares in the capital of our Company with a par value of HK\$0.000001 each
“Shareholder(s)”	holder(s) of the Shares
“Sino Group”	Sino Group Development Limited, a company incorporated in Hong Kong with limited liability on December 7, 2006, a subsidiary of our Company
“Sino High”	Sino High Limited, a company incorporated in the BVI with limited liability on February 1, 2007, a subsidiary of Belle International and a connected person of our Company
“SPV”	special purpose vehicle
“Stabilizing Manager”	Merrill Lynch (Asia Pacific) Limited through its affiliates
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Synergy Eagle”	Synergy Eagle Limited, a company incorporated in the BVI with limited liability on January 20, 2012, a subsidiary of our Company

DEFINITIONS

“Topsports Group”	Topsports Group Limited, a company incorporated in the BVI with limited liability on September 5, 2018 and a subsidiary of our Company
“Sports City”	a retail format in which our Group leases retail space from third party landlords, typically shopping malls, and hosts a collection of sportswear stores in close proximity for the convenience of consumers. Some of the stores are operated by us directly, while others are operated by third parties, including those for brands that our Company has no retail relationships with
“Track Record Period”	the three financial years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“ WHITE Application Form(s)”	The application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name
“ White Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“WMVL”	Wisdom Man Ventures Limited 智者创业有限公司, a company incorporated in the British Virgin Islands with limited liability on April 13, 2017, and a Controlling Shareholder
“YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and figures rounded to the nearest thousand, million or billion may not be identical to figures that have been rounded differently to them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this prospectus that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“Gross Selling Area”	gross floor area save for areas not used for retail purposes, including in-store warehousing space
“MSRP”	manufacturer’s suggested retail price
“POS”	point of sales
“SKU”	stock-keeping unit
“Strategic Stores” or “Strategic Store formats”	concept store formats that our Company and its brand partners collaborate in piloting in China, as further detailed in the section headed “Business” in this prospectus

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would”, “vision”, “aspire”, “target”, “schedules”, “goal”, “outlook” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain known and unknown risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- our ability to maintain relationship with, and the actions and developments affecting, brand partners;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and future developments, trends and conditions in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified frontline staff;
- the actions of and developments affecting our competitors; and
- all other risks and uncertainties described in the section headed “Risk Factors”.

FORWARD-LOOKING STATEMENTS

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are expressly qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that all of our business is located in China and we are governed by a legal and regulatory environment that in some respects may differ from that prevailing in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our Shares could also decrease significantly due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our sales depend on our ability to understand and timely respond to changes in consumer preferences and spending patterns.

The performance of our stores is sensitive to consumer preferences and spending patterns. Chinese consumers in different geographical locations have different shopping tastes and patterns. They could be affected by a number of factors, including both national and local economic conditions, interest rates, inflation, taxation, uncertainties about future economic prospects and shifts in discretionary spending toward other goods and services. For example, Chinese consumers may be more reluctant to spend time and money on leisure activities, including sports and related products, if China's retail environment becomes stagnant or declines in the event of a recession in China's or the global economy. Moreover, Chinese consumer preferences and spending patterns may differ or change from time to time.

With years of operations in China, we have accumulated in-depth knowledge and insights about Chinese consumers, which are critical to our operations in China. However, as Chinese consumers' preferences are constantly changing, there is no guarantee that we will always accurately capture and sufficiently understand their preferences. If we fail to understand or timely respond to changes in Chinese consumers' preferences and spending patterns, we may suffer a decrease in demand for our product offerings, and our business, results of operation and financial condition may be materially and adversely affected.

Our results of operations may be negatively affected if the brands and sportswear products that we offer lose their popularity, including as a result of negative publicity.

Our success depends significantly on our ability to sell the products of international sportswear brands, which largely depends on the market perception of these brands. Negative publicity about these brands, their products or other factors, such as publicity on product defects or recalls or scandals involving their endorsed athletes, could materially and adversely affect their public perception. As a result, our sales could be negatively affected. In addition, we have limited control over the designs and development of the brand partners' products that we sell. The success of our operations depends in part on the popularity of our brand partners' products and our ability to procure sufficient quantities of products to satisfy consumer

RISK FACTORS

demand. If we or the brand partners whose products we sell are unable to respond promptly to changing consumer demands, particularly those on product design, demand for the sportswear products we sell may decrease and our sales may be adversely and significantly affected.

We rely heavily on our brand partners' marketing efforts. Any negatively perceived marketing campaigns may adversely affect our results of operations. As all of our brand partners are foreign companies, any national sentiment against the home countries of our brand partners will negatively affect sales of their products, which, in turn, may materially and adversely affect our results of operations and financial condition.

We operate in a highly competitive and fast-changing market, and increased competition may limit our growth and reduce our profitability.

China's retail sportswear industry is highly competitive and rapidly evolving, and we expect competition in our industry to intensify. As our retail agreements with our brand partners are typically non-exclusive, we face competition from retailers in the geographic markets in which we currently operate or retailers from alternative sales channels, such as stores operated by our brand partners and online shops. We compete with these retailers primarily in respect of product offerings, depth and breadth of store network, consumer relationships and logistics efficiency. Some of our competitors may have more financial and human resources, better access to attractive store locations, more competitive pricing strategies or closer relationships with brand partners. Furthermore, existing and new competitors may develop new marketing strategies or channels that prove to be more successful than ours. Competition may lead to, among other things, less favorable terms in agreements with our brand partners, higher costs for retail space, and lower average per-store sales or lower sales overall, all of which could have a material adverse effect on our results of operations and financial condition.

We may not be able to successfully expand our store network. If we are unable to identify and secure suitable locations for new stores on commercially acceptable terms, our expansion and growth prospects may be adversely affected.

Our extensive nationwide directly-operated store network has been critical in driving our business growth and results of operations. As of the Latest Practicable Date, our store network included 8,372 directly-operated stores. We expand our store network by adding new directly-operated stores. The success of our expansion plans depends, to a significant extent, on the locations of our new directly-operated stores. We generally seek to locate our stores within major shopping malls and department stores or at street-level locations with easy accessibility and heavy foot traffic. We cannot assure you that we will be able to identify and secure a sufficient number of suitable locations for new stores in the future, which may have an adverse effect on our business and expansion plans.

RISK FACTORS

Our investment in technology may not generate expected returns.

We believe that technology will be a driving force for our business growth. We have invested, and we intend to continue to invest significantly, in digital technology and business intelligence tools to optimize our operations and improve our consumers' shopping experience. However, technological change is rapid and we may not be able to keep abreast of the latest development; as a result, our technology systems may become obsolete. While we actively evaluate the return on investments for our technology initiatives, there is no guarantee that our investments will generate sufficient returns or that they will have the expected effects on our business operations. If our technology investments do not meet expectations for the above or other reasons, our prospects, cash flow and results of operations may be adversely affected.

If we fail to maintain good relationships or renew our retail agreements with our brand partners, our profitability and business prospects may be materially and adversely affected.

We rely on a limited number of brand partners, particularly our Principal Brands, to supply us with products that we sell. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, revenue generated from sales of products from our two Principal Brands accounted for 90.0%, 89.4%, 87.4% and 88.8% of our total revenue from sale of goods. Therefore, our ability to maintain good relationships and renew our existing retail agreements with our brand partners is critical to the growth of our business. Our retail agreements, which generally have terms of one to five years, are normally renewed based on negotiations between our brand partners and us. Factors that our brand partners may take into consideration include our sales performance during previous contract terms, our compliance with their general policies and procedures, general market conditions and our brand partners' overall development strategies. There is no assurance that we will be able to renew our existing retail agreements with our brand partners or to renew them on terms favorable to us.

Our brand partners may sell their sportswear products through e-Commerce platforms or their own physical stores instead of through us, which may materially and adversely affect our business, results of operations and financial conditions.

While global sports brands rely primarily on well-established sports retail companies like us to deliver their brand-specific products and experience to local consumers in China, they typically also operate their own physical stores and may sell a portion of their products through their own online stores or third-party e-Commerce platforms. For more information regarding global sports brands' retail operations in China, see "Industry Overview—Overview of China's Sports Footwear and Apparel Retail Market—Retail Operations of Global Sports Brands in China." There can be no assurance that our brand partners will not increase their sales through their own physical and online stores or third-party e-Commerce platforms and reduce the volume of products they sell through us, which can have a material and adverse impact on our business, results of operations and financial condition.

RISK FACTORS

Competition from online sales channels may adversely affect our business and results of operations

Our retail network primarily consists of our directly-operated physical stores across China. While we believe our stores offer consumers a rich and pleasant shopping experience, we cannot assure you that consumer behavior and preferences will not change over time to favor shopping from online sales channels. In addition, online sales channels typically incur less operating expenses compared to offline stores, and therefore they may offer heavier discounts on similar or identical sportswear products, which may drive consumer traffic away from our stores. A shift from offline to online shopping may adversely impact our business and results of operations.

If we do not successfully manage our inventory levels, our business may be materially and adversely impacted.

Maintaining optimal inventory levels is critical to the success of our business. As of February 28, 2017, 2018 and 2019 and May 31, 2019, the balance of our inventory, which primarily consisted of finished products that we purchased from our brand partners, accounted for approximately 34.1%, 32.2%, 37.9% and 38.4% of our total assets, respectively. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our inventory turnover days were 103.6 days, 103.2 days, 103.5 days and 115.2 days, respectively.

We are exposed to inventory risks as a result of a variety of factors, including changing consumption trends and consumer preferences and launches of competing products. There is no guarantee that we will not encounter any unexpected decrease in the market demand for the sportswear products we have ordered, which may cause us to engage in discount sales or promotional activities to dispose of slow-moving inventory. On the other hand, if we fail to maintain adequate inventory levels, we may lose sales. Either of these types of development may adversely affect our financial condition and results of operations.

Allegations regarding the quality and authenticity of the sportswear products we sell may adversely affect our business.

We believe that consumers value sportswear retailers with reputations for selling products that adhere to high quality and safety standards. Although our brand partners have their own quality control systems in place and have warranted that products they supply to us have passed their internal quality control tests before they are shipped to us, we may still face consumers' claims that products sold by us are of inferior quality, defective or unauthentic. We would have to incur expenses to defend such claims if they arise, irrespective of their merits. Moreover, we could be required to pay damages or to discontinue selling substandard, defective or unauthentic products if such claims prevail. If the products we sell fail to adhere to quality and safety standards that meet the expectations of consumers, we may lose consumer orders and face product liability claims.

RISK FACTORS

If we fail to maintain, promote and grow our membership base, our business could be adversely affected.

We believe an expansive and loyal membership base is significant to our success. We have relaunched our membership program in May 2018 that provides a wide variety of benefits in terms of products, services and activities to increase member loyalty. However, we cannot assure you that our membership program will be successful. If we fail to maintain, promote and grow our membership base, our business may be adversely affected.

Changes in the business prospects of our acquisitions may result in goodwill impairment, which could adversely affect our results of operations and financial condition.

We recorded goodwill of RMB1,002.4 million as of each of February 28, 2017, 2018 and 2019 and May 31, 2019 in connection with our previous acquisitions. Goodwill accounted for 5.9% of our total assets as of May 31, 2019. We undertake goodwill impairment reviews annually or more frequently if events or changes in circumstances indicate a potential impairment. We compare the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. We recognize any impairment immediately as an expense and it is not subsequently reversed. We conducted impairment review on our goodwill as of February 28, 2017, 2018 and 2019 according to IAS 36 “Impairment of Assets.” As of May 31, 2019, we did not identify any impairment indicator of our goodwill. However, if the carrying value of our goodwill is considered to exceed its recoverable amount and our goodwill is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for goodwill in our financial statements during the period in which our goodwill is determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. For a detailed discussion on the relevant impairment testing and sensitivity analysis performed for goodwill, please see “Financial Information—Discussion of Certain Key Balance Sheet Items—Non-Current Assets and Liabilities—Intangible Assets.”

We may need to provide impairment loss for our intangible assets, which could negatively affect our results of operations and financial condition.

In addition to goodwill, we also record other intangible assets, primarily including (i) e-Sports licenses and contracts in connection with our permanent league franchise rights in the LPL and the KPL and (ii) distribution and licenses contracts that we recognized as a result of our acquisition of certain subsidiaries. As of May 31, 2019, the aggregate carrying value of these intangible assets amounted to RMB129.4 million, accounting for 0.8% of our total assets as of the same date. If any of these intangible assets is determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which the relevant intangible assets determined to be impaired, and this would negatively affect our results of operations and our financial condition.

RISK FACTORS

Some of our leased properties have title defects and did not complete registration procedures at relevant authorities. We may be required to cease occupation and use of such leased properties if there is a valid claim for them.

As of the Latest Practicable Date, the lessors of some of the leased properties that we used had failed to provide valid title certificates or other ownership documents or relevant documents authorizing them to lease the properties. Any dispute or claim in relation to these properties, including lessors' alleged unauthorized lease of these properties, could force us to relocate our directly-operated stores, offices or warehouses. If any of our leases are terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial condition, results of operation and growth prospects.

In addition, as of the Latest Practicable Date, a large number of our lease agreements for our leased properties had not yet been registered with the relevant authorities. We use these leased properties primarily as our directly-operated stores. As advised by our PRC legal advisors, JunHe LLP, for lease agreements that are not registered with the competent authorities, we may be subject to fines ranging from RMB1,000 to RMB10,000 per non-registration.

We may not be able to renew, in a timely manner or at all, current concessionaire or lease agreements for our directly-operated stores on the same or more favorable terms, or locate desirable alternatives for them.

We operate our directly-operated stores under either concessionaire or lease agreements. We cannot guarantee that we will be able to renew our concessionaire or lease agreements upon their expiry on the same terms or on other commercially reasonable terms, in a timely manner or at all, especially for stores in locations with heavy foot traffic. Our competitors, as well as other companies that require similar locations, may have greater financial resources or bargaining power than us. We may therefore be forced to find new replacement locations or move to less favorable locations. If any of these circumstances develops, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our directly-operated stores have required and will continue to require investment and commitment of resources, which may not generate the level of returns we expected.

We have made, and we will continue to make, investments in equipment and leasehold improvements, information systems, inventory and personnel for our store network. In particular, some of our directly-operated stores, such as our Strategic Stores, have been designed and built to serve as high-profile venues to promote brand image and serve as vehicles for marketing activities. Because of their unique design elements, locations and sizes, these

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stores require substantially more investment than our more typical directly-operated stores. A decline in sales or the closure or poor performance of individual or multiple stores of ours could result in lease termination costs, write-offs of equipment and leasehold improvements and staff severance costs.

We may not be successful in sustaining our growth and profitability.

We cannot assure you that we can maintain our growth rate and profitability. We experienced significant growth in revenue during the Track Record Period. Our revenue increased by 22.4% from RMB21,690.3 million for the year ended February 28, 2017 to RMB26,549.9 million for the year ended February 28, 2018, and recorded further increase of 22.7% to RMB32,564.4 million for the year ended February 28, 2019. Our revenue increased by 13.1% from RMB7,902.1 million for the three months ended May 31, 2018 to RMB8,937.1 million for the same period of 2019. However, our historical financial information may not be indicative of our future performance. Factors such as decreasing consumer spending, increasing competition from other retailers, slower growth in China's retail industry, supply chain and logistical bottlenecks, emergence of alternative business models and changes in government policies or general economic conditions could slow or halt our growth. In addition, our profitability depends on our ability to control costs and operating expenses, which may increase as our business expands. If we fail to increase sales, or if our cost of sales and operating expenses grow faster than our sales, our business, financial condition and results of operations may be negatively affected.

We had net current liabilities as of February 28 and May 31, 2019, and we cannot assure you that we will not continue to record net current liabilities.

As of February 28 and May 31, 2019, we had net current liabilities of RMB1,678.3 million and RMB927.2 million, respectively, primarily because we declared a dividend of RMB3.5 billion for the year ended February 28, 2019. We may continue to have net current liabilities. Please see the section headed "Financial Information—Discussion of Certain Key Balance Sheet Items—Current Assets and Liabilities" for more details of our net current liabilities. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we are unable to generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to resort to external funding. If adequate external funds are not available on commercially reasonable terms, or at all, we may face liquidity difficulties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business relies on the proper operation of our information technology systems, and any malfunction could materially and adversely affect our business.

Our business relies on the proper functioning of our information technology systems. We use our information technology systems to collect and analyze, on a real-time basis, our operational data and information including procurement, sales, inventory, logistics, human resources, consumer and membership data and after-sales services. The continuous, reliable

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operation of our information technology system is therefore vital to every aspect of our business operations. We need to constantly upgrade and improve our information technology systems to keep up with developments in technology and the continuous growth of our operations and business. However, there is no assurance that our information technology systems will function properly at all times and they may malfunction or become obsolete.

Any change in the regulations governing the use of personal data in China, which are still under development, or any data leakage or unauthorized use of data by third parties could adversely affect our ability to use our consumer data.

We believe that our ability to compile and analyze sales data and consumer data is critical to our success. We collect consumer data, such as personal information, payment-related information and transaction history. For more details of our data governance policy, see “Business—Risk Management and Internal Controls.” Chinese regulations governing the collection and use of personal data are still under development. Therefore, we cannot guarantee that the PRC government will not promulgate new restrictions or prohibitions on collection and use of personal data. Any change in the regulatory regime in this regard could potentially affect our ability with regard to collection and use of consumer data, which in turn could have an adverse effect on our business, financial condition and results of operation.

In addition, we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks, which may lead to the loss of personal data or cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees, and engage third-party experts and consultants.

We primarily rely on external logistics service providers to deliver the sportswear products we sell. Increases in logistics costs may adversely affect our profitability and have an adverse impact on our results of operations.

We primarily rely on external logistics service providers (including related companies as well as third parties) for our extensive logistics needs. Disputes with or a termination in our contractual relationships with one or more of our logistics service providers could result in delayed product deliveries, increased costs or consumer dissatisfaction. There can be no assurance that we can continue or extend relationships with our current logistics service providers on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. We cannot guarantee that no disruptions in logistics services we receive will occur, which may materially and adversely affect our business operations. In addition, our logistics service providers may charge us higher fees for their services as a result of external factors that are beyond our control, such as inflation, increase in labor costs, outbreaks of diseases, natural disasters and industry-wide price adjustment. Any increase in our logistics service expenses could adversely affect our profitability and have an adverse impact on our results of operations.

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We have limited control over the operations of our downstream retailers. Our reputation and relationship with our brand partners could be harmed if our downstream retailers are not managed in accordance with our standards.

A portion of the products we sell are sold to consumers by downstream retailers. We typically require our downstream retailers to carry out their business following retail procedures, store layouts and policies in respect of marketing activities, daily operations and customer service that are pre-determined by our brand partners. However, there is no assurance that our downstream retailers will carry out their business in full compliance with both our and our brand partners' policies and standards. In the event of such circumstances, our reputation and relationship with brand partners may be harmed, which in turn could adversely affect our business, results of operations and financial condition. The remedies available to us upon a breach by our downstream retailers under the relevant wholesale agreements may not be sufficient to cover all losses we may incur. In addition, there is no assurance that inventory accumulation will not develop at stores operated by our downstream retailers. Under such circumstances, they may attempt to liquidate excessive inventory using aggressive discounts, which may damage the image and the value of the products and brands we offer.

Furthermore, our downstream retailers' operation of stores or other sales channels must comply with the relevant PRC laws and regulations. If any of our downstream retailers is required to suspend or cease its operations as a result of non-compliance with the relevant PRC laws and regulations, our results of operations, market share, geographical coverage and brand image may be adversely affected.

Our success depends on our ability to retain our senior management team and to recruit, train and retain qualified personnel, especially qualified store managers for our directly-operated stores.

We rely on the experience and expertise of our senior management in developing business strategies, managing our business operations, developing our sales and marketing strategies and strengthening our relationships with our brand partners. If one or more members of our senior management were unable or unwilling to continue in their offices, we may not be able to replace them with suitable successors on a timely basis or at all. Such unexpected loss of services could have a material adverse effect on us.

Our ability to recruit, train and retain suitable staff is also vital to our success. As we expand our sales network, we will need to recruit staff who are both familiar with the local market and experienced in the sportswear retail industry. We are facing increasingly intense competition in our recruitment efforts. In particular, our store managers, who are typically promoted to that position through our internal training and development programs and on average have been with us for more than four years, are entrusted with the daily management of our directly-operated stores. They also personally interact with consumers on a day-to-day basis and help us acquire first-hand information on evolving consumer preferences and market trends. If we lose significant numbers of store managers, we may not be able to find or develop suitable personnel to fill these vacancies and our operations could be materially and adversely

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affected. In addition, we may incur additional expenses if we are required to offer more competitive packages in order to attract and retain key personnel. We cannot assure you that we will have sufficient resources to accomplish these objectives.

Our financial condition and results of operations are subject to seasonal fluctuations.

Our business is subject to seasonal fluctuations. Historically, we typically record higher sales around holiday seasons. If we fail to capture the sales opportunities arising from these holiday seasons, our overall performance could be adversely affected. For the same reason, we need to increase our stock to satisfy our increased sales demand at the end of our financial year and around those holiday seasons, which exposes us to risk of higher levels of inventories. In addition, our autumn and winter products typically have higher average selling prices than our spring and summer products, as the materials for producing our autumn and winter products are comparatively more costly.

Our business is also susceptible to extreme or unexpected changes in weather conditions. For example, extended periods of unusually warm temperatures during the winter season or cool weather during the summer season can render a portion of our inventory obsolete, particularly seasonal products such as thermal clothes and leggings. These extreme or unusual weather conditions could have an adverse effect on our inventory surplus, business and results of operations.

As a result of these fluctuations, comparisons of sales and operating results between different periods within a single financial year, or between different periods in different years, are not necessarily meaningful and should not be relied upon as an indicator of our performance.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

Under PRC laws and regulations, we are required to complete the regulatory registrations regarding social insurance and housing provident funds within a prescribed period, and make social insurance and housing provident funds contributions for the benefit of our employees, which are calculated as the prescribed percentages of relevant employees' actual income.

As there are certain inconsistencies in practice among local governments regarding the regulatory registrations and contributions of social insurance and housing provident funds, we cannot guarantee that our subsidiaries and branch offices can timely and fully comply with the relevant applicable PRC laws. As advised by our PRC legal advisors, JunHe LLP, under the relevant PRC laws and regulations, we may be ordered by the relevant authorities to complete the aforesaid regulatory registrations or pay the outstanding social insurance or housing provident funds contributions, along with possible surcharges and penalties for overdue

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payments. As of the Latest Practicable Date, we had not received any administrative penalty from regulatory authorities for non-compliance matters in this aspect. However, there can be no assurance that the relevant authorities would not enforce such payments, surcharges and penalties against us.

Our insurance policies may be insufficient to cover potential losses arising as a result of business interruption, damage to our property or third-party liabilities.

We have procured insurance policies, including public liability insurance and property insurance, for our business in accordance with industry practice. These policies cover damages caused by natural hazards such as hurricanes, storms, rainstorms, fires and other unpredictable and uncontrollable incidents. We do not maintain insurance for all of our assets or against losses at all of our properties. We review the adequacy of our insurance policies from time to time; however, there can be no assurance that our insurance policies will be sufficient to cover all losses or liabilities under all circumstances. If our insurance policies are insufficient to cover our losses or liabilities, this could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to the credit quality of the shopping mall and department store operators with which we have entered into concessionaire agreements.

Under all of our concessionaire agreements, the department stores or shopping malls where our directly-operated stores are located collect sales proceeds on our behalf. After deduction of their concessionaire fees, rents and promotion costs, property management fees, utilities and other applicable fees and expenses, they transfer the remaining sales proceeds to us on a monthly basis within a specified period of time after we issue the invoices for the payments. We generally offer credit terms of up to 30 days to the shopping malls or department stores for them to transfer these proceeds to us. We record proceeds from the sales of the products we sell as trade receivables until we receive the cash from the shopping malls and department stores and, accordingly, we are affected by the financial health of the shopping malls and department stores from which we have outstanding receivables. If the shopping malls and department stores are not able to transfer the proceeds from the sales to us in a timely manner, or at all, our business, financial condition, results of operations and cash flows may be materially and adversely affected. For the year ended February 28, 2019, we recognized an impairment on trade receivables of RMB33.7 million because of the uncertainties in recoverability of overdue trade receivables owed to us by a department store.

If we fail to obtain or maintain all required licenses, permits and approvals, our business operations may be adversely affected.

In accordance with the relevant laws and regulations in jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits to operate our retail business, primarily including our PRC subsidiaries' business licenses. If we fail to obtain or

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maintain all required licenses, permits and approvals, or if we are required to take actions to obtain such licenses, permits and approvals which are time-consuming or costly, our business operations may be adversely affected.

The government incentives that we currently enjoy may be altered or terminated, which could have an adverse effect on our business, financial position, results of operations and prospects.

We enjoy a number of government incentives in China, primarily including financial subsidies from local governments in recognition of our contributions to local economic development. In the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, total government incentives we recognized amounted to approximately RMB41.3 million, RMB77.1 million, RMB198.3 million and RMB49.5 million, respectively. The government incentives that we currently enjoy are of a non-recurring nature, and there can be no assurance that these government incentives will not be altered or terminated. Any alteration or termination of our current government incentives could have an adverse effect on our business, financial condition, results of operations and prospects.

We may be involved, from time to time, in legal or other proceedings arising out of our operations, including product liability claims, and may face significant liabilities as a result.

We are exposed to legal or other proceedings arising out of our ordinary course of business, including claims initiated by or against us under concessionaire agreements and other contracts we entered into, and other claims against us such as product liability claims. According to the relevant PRC laws and regulations, consumers may choose to sue the retailer, distributor, manufacturer or brand company for damages caused by a defective product. We cannot guarantee that we will succeed in defending ourselves. Even if we successfully defend ourselves against a claim, or successfully make compensation claims against others, we may need to spend a substantial amount of money and time in defending such a claim and in seeking compensation, which could result in significant adverse publicity against us, and could have a material adverse effect on our reputation and the marketability of the products we sell. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to litigation, penalties and other unfavorable results.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.

All of our operating subsidiaries are located in China, and substantially all of our business activities are conducted in China. Accordingly, changes in China's political, social and economic policies may materially affect our results of operation and business prospects. The Chinese economy differs from the economies in most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate,

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control of foreign exchange and allocation of resources. Although China's economy has been transitioning from a planned economy to a more market-oriented economy for about four decades, a substantial portion of productive assets in China is still owned by the PRC government. The PRC government also exercises control over China's economic growth through allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented measures focusing on the utilization of market forces in economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance practices in business enterprises. Some of these measures benefit China's overall economy, but may adversely affect us. For example, our financial condition and results of operations may be adversely affected by changes in tax regulations applicable to us. If the business environment in China deteriorates, our business in China may also be materially and adversely affected.

Uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

Our operating subsidiaries and operations are located in China and are subject to the laws and regulations of China. The Chinese legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. However, since these laws and regulations are relatively new and the Chinese legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since Chinese administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Furthermore, the Chinese legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

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The heightened scrutiny over acquisition transactions by PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your investment in us.

On February 3, 2015, the PRC State Administration of Taxation (“SAT”) issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公 告) (“Circular 7”). Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny on, indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of PRC resident enterprises (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose a 10% rate of PRC enterprise income tax on the non-resident enterprise. Circular 7 exempts this tax in certain situations, for example, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax.

On October 17, 2017, the SAT issued the Circular on the Source of Deduction of Income Tax for Non-resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告) (“Circular 37”), which became effective on December 1, 2017 and abolished certain provisions in Circular 7. Circular 37 further clarifies the practice and procedure of withholding non-resident enterprise income tax. Pursuant to Circular 37, where the party responsible for withholding such income tax did not or was unable to make such a withholding, the non-resident enterprise receiving such income must declare and pay the taxes that should have been withheld to the relevant tax authority. The taxable gain is calculated as balance of the total income from such transfer net deducting the net book value of equity interest.

We have conducted and may conduct acquisitions involving changes in corporate structures. We cannot assure you that the PRC tax authorities will not, in their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance for the investigation of PRC tax authorities with respect thereto. Any PRC tax imposed on a transfer of our Shares or any adjustment of such gains would cause us to incur additional costs and may have a negative impact on the value of your investment in us.

We may be deemed as a PRC-resident enterprise under the Enterprise Income Tax Law and be subject to PRC taxation on our worldwide income.

Under the Enterprise Income Tax Law (the “EIT law”) and its detailed implementation rules, an enterprise established under the laws of jurisdiction other than China may be considered as a PRC-resident enterprise provided that its “de facto management body” is

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located within China. The implementation rules of the EIT Law interprets “de facto management body” as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. Through a circular promulgated in April 2009, the SAT further clarified the criteria for determining whether an enterprise has a “de facto management body” within China. We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” As certain of our management is currently based in China and they may remain in China, we and our non-PRC subsidiaries may be treated as PRC-resident enterprises and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC-enterprise income tax reporting obligations. While the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC-resident enterprises. In addition, if we are treated as PRC-resident enterprises under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

As a holding company, we rely on distributions from our PRC subsidiaries for funding, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands, and we operate our business through our operating subsidiaries in China. We rely on the distribution to us by our PRC subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. Chinese laws permit dividends to be paid by our PRC subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles (the “**PRC GAAP**”), which differ from the accounting principles and standards generally accepted in many other jurisdictions. Chinese laws also require each of our PRC subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, up to a maximum of 50% of its registered capital. Any of our PRC subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends. Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our PRC subsidiaries’ ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our PRC subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes. Any limitation on the ability of our PRC subsidiaries to pay dividends or other distributions to us could have a material and adverse effect on our ability to conduct our business.

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Dividends paid by our PRC subsidiaries to us are subject to PRC withholding taxes.

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and China, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company. In addition, on August 27, 2015, the SAT promulgated the Announcement on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (國家稅務總局關於發佈《非居民納稅人享受稅收協定待遇管理辦法》的公告), any qualifying non-resident taxpayer meeting specified conditions may be entitled to the convention treatment when filing a tax return or making a withholding declaration through a withholding agent. According to a tax circular issued by the SAT in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that Chinese tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our PRC subsidiaries or that Chinese tax authorities will not levy a higher withholding tax rate on these dividends in the future.

Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under Chinese laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 37”), which was promulgated by the State Administration of Foreign Exchange (the “SAFE”) and became effective on July 14, 2014, requires an individual PRC resident to register with SAFE before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the individual PRC resident for the purpose of conducting investment or financing. Following the initial registration, the individual PRC resident is also required to register with SAFE for any major change in respect of the Offshore SPV, including, among other things, any major change of an individual PRC resident Shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s PRC subsidiary to distribute dividends to its overseas parent.

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As there is uncertainty concerning the reconciliation of SAFE Circular No. 37 with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategies. Any failure by our individual PRC resident Shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant individual PRC-resident Shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operation and liquidity as well as our ability to pay dividends or make other distributions to our Shareholders may be materially and adversely affected.

Current Chinese regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the proceeds from the Global Offering to fund our business operations in China.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the approval of or filing with MOFCOM or its local branch, and registration with other governmental authorities in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches, and (ii) each of our PRC subsidiaries may not procure loans which exceed statutory limits. Any medium or long term loan to be provided by us to our operating entities must be recorded and registered by the National Development and Reform Committee and SAFE or its local branches. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and operating costs are denominated in Renminbi. The Chinese government imposes controls on the convertibility of the Renminbi into foreign currencies and the remittances of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The Chinese government may

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also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

Furthermore, the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected, as we will not be able to invest these proceeds in RMB-denominated assets onshore or deploy them in uses onshore where Renminbi are required, which may adversely affect our business, financial condition and results of operations.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. On August 11, 2015, the PBOC announced its intention to improve the central parity quotations system of RMB against the U.S. dollar by authorizing market-makers to provide central parity quotations to the China Foreign Exchange Trading Center with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following this announcement, the Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to August 10, 2015, and further depreciated nearly 1.6% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund ("IMF") completed its regular five-year review of the basket of currencies that make up the IMF's Special Drawing Rights (the "SDR") and decided that with effect from October 1, 2016, Renminbi has been included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC Government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies. Any fluctuations in exchange rates of the Renminbi against the Hong Kong dollar, the U.S. dollar, or other foreign currencies may affect our operations. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the Global Offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide

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to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our Shares or for other business purposes appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

You may encounter difficulty in effecting service of legal process upon us, our Directors and senior management and enforcing foreign judgments against us, our Directors and senior management.

We are a company incorporated in the Cayman Islands with substantially all of our assets located within China. Certain of our Directors and senior management reside in China and part of their assets are within China. As a result, it may not be possible for you to effect service of legal process within China on us or our Directors or senior management.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced in China if the jurisdiction has a treaty on that with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United States, the United Kingdom or most other western countries. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned, pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties has a expressly written choice of court. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management.

Our business may be materially and adversely affected by relationships between the U.S. and China.

As trade tensions have recently increased between the United States and China, there are concerns among PRC enterprises transacting with U.S. companies and their subsidiaries that a trade war between the two countries could affect their business. For instance, Chinese consumers might have hostile sentiment against or even boycott U.S. branded products in general or a particular U.S. brand. A breakdown in trade relations between the United States and China could also delay the global economic recovery, threatening the ongoing economic expansion and the increasing cross-border transactions trend. Given that a substantial portion of the sportswear products we sell, though mostly produced in China and Southeast Asia are sourced from U.S. sports brand partners, we cannot assure you that we will not be negatively influenced by the increasing trade or other tensions between the United States and China, including Chinese consumers' possible negative sentiment against U.S. branded products, as well as by adverse changes in laws and regulations in respect of relations with other countries. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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Any future outbreak of severe acute respiratory syndrome or avian flu in China, or similar adverse public health development, may severely disrupt our business and operations.

The outbreak of severe acute respiratory syndrome or avian flu or other similar adverse public health developments in China or elsewhere could materially disrupt our business and operations. Such events could also significantly affect our industry and cause temporary closures of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the global or PRC economy in general. Our operations could also be severely disrupted if our users or other participants were affected by such natural disasters, health epidemics or other outbreaks.

RISKS RELATING TO THE GLOBAL OFFERING

As there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price of our Shares is the result of negotiations between us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no guarantee that an active trading market for our Shares will develop, or, if it does develop, that it will sustain or that the market price of our Shares will not decline after the Global Offering.

The market price and trading volume of our Shares may be volatile, which may result in substantial losses for investors in our Shares.

The market price of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated variations in our results of operation;
- changes in securities analysts' estimates or market perception of our financial performance;
- development affecting our brand partners;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the sportswear industry;
- regulatory or legal developments, including litigation;

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- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or sales of additional Shares by us; and
- general economic, political and stock market conditions in Hong Kong, China, the United States and elsewhere in the world.

There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of the Shares after trading begins could be lower than the Offer Price.

The Offer Price of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse development that may occur between the Price Determination Date and the time trading begins.

Our Controlling Shareholders may exert substantial influence over our operations and may not act in the best interests of our independent Shareholders.

Upon the completion of the Capitalization Issue and the Global Offering, approximately 85.0% of our Shares will be held by our Controlling Shareholders, assuming that the Over-allotment Option is not exercised. After the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the price of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

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Certain equity interests and assets of some of our Controlling Shareholders, including Shares in our Company, have been charged as security interests pursuant to the Facility Agreement. A default under the Facility Agreement could result in enforcement of these security interests, which could materially and adversely affect our Controlling Shareholders' ownership in our Group.

Our Group was the sportswear retail business arm of Belle International. The shares of Belle International were initially listed on the Stock Exchange on May 23, 2007 and Belle International was subsequently taken private by a consortium on July 25, 2017. The cash requirement of the Privatization of approximately HK\$45.3 billion was financed through debt financing under the Facility Agreement and equity investment by the consortium. The loans under the Facility Agreement are secured by, among others, certain equity interests and assets of some of our Controlling Shareholders, including Shares in our Company. For further details of the Privatization, please refer to the section headed “History, Reorganisation and Corporate Structure—Prior Listing of Belle International on the Stock Exchange and Subsequent Delisting” in this prospectus.

The Facility Agreement does not contain any margin call provision that would be triggered by the variation in the value of our Shares. However, if any event of default under the Facility Agreement occurs, the lenders can enforce their rights against the relevant Controlling Shareholders, including enforcing their rights against the charged Shares in our Company under the Facility Agreement. This could result in a change of control of our Company and have a material adverse effect on our business, financial condition and results of operations.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods expiring 12 months after the date on which trading in our Shares commences on the Stock Exchange, details of which are set out in the section headed “Underwriting” in this prospectus. Subject to these lock-up arrangements, our Controlling Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

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Our future financing may result in dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

You will experience immediate and substantial dilution in the book value of your investment as a result of the Global Offering.

The Offer Price of our Shares is higher than our net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per Offer Share. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Offer Share with respect to their Shares.

There is no assurance as to whether and when we will pay dividends.

We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the Global Offering. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including our results of operation, our financial condition, strategies and needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, legal and contractual restrictions, and other factors that our Directors may deem relevant. Dividends may be declared and paid at the discretion of our Directors, subject to the Cayman Companies Law and our Articles of Association. As a result, our historical dividend distributions are not indicative of dividends that we may pay in the future. See the section headed “Financial Information—Dividend Policy” in this prospectus for more details of restrictions on our dividend payments.

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Certain facts, forecasts and other statistics contained in this prospectus were obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the section headed “Industry Overview” in this prospectus.

In this prospectus, certain facts, forecasts and statistics concerning China, its economic conditions and industries are derived from publications of Chinese government agencies or industry associations, or an industry report prepared by Frost & Sullivan and commissioned by us. Although we have taken reasonable care in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully that how much weight you should place on those facts, forecasts and statistics.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands, and Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder protection.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law differs in some respects from the laws of Hong Kong and other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which is persuasive but does not have binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

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Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.

Prior or subsequent to the publication of this prospectus, there may have been press and media coverage regarding us and the Global Offering, which includes certain information about us that does not appear in, or is different from what is contained in, this prospectus. We have not authorized the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the prospectus or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflict with the information contained in this prospectus, we disclaim it. Investors should rely only on the information contained in this prospectus in making investment decision.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since we have our principal operations in the PRC, our sole executive Director has been and will continue to participate in day-to-day management of our Company in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Chow Kyan Mervyn and Mr. Leung Kam Kwan;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- (d) our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;
- (e) Anglo Chinese Corporate Finance, Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange; and
- (f) each Director will provide his or her mobile phone numbers, office phone numbers, fax numbers and e-mail address to the Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted waivers from strict compliance with (where applicable) the announcement, circular and independent shareholders' approval requirements set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Further details of such continuing connected transactions are set out in the section headed "Connected Transactions" in this prospectus.

DISCLOSURE REQUIREMENTS WITH RESPECT TO CHANGES IN SHARE CAPITAL

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of paragraph 26 of Part A of Appendix 1 to the Listing Rules in respect of disclosing the particulars of any alterations in the capital of any member of our Group within the two years immediately preceding the issue of this prospectus.

As at the Latest Practicable Date, we have over 1,210 subsidiaries across various jurisdictions including China, Hong Kong and BVI. In particular, our subsidiaries in China are located in over 200 cities across 30 provinces. It would be unduly burdensome for our Company to disclose this information, which would not be material or meaningful to investors. We have identified 30 entities that we consider are the principal operating subsidiaries responsible for the track record results of our Group (the "**Principal Operating Subsidiaries**"). For further details of the Principal Operating Subsidiaries, please see the 30 principal subsidiaries incorporated/established/acquired in the PRC in the section headed "II. Notes to the Historical Financial Information—2. Reorganization and Basis of Presentation—2.1 Reorganization" in the Accountant's Report in Appendix I to this prospectus. By way of illustration, for the financial year ended February 28, 2019, the aggregate revenue of the Principal Operating Subsidiaries in respect of which the relevant information is disclosed represents approximately 94% of our Group's total revenue.

As such, the particulars of the changes in the share capital of the Principal Operating Subsidiaries are disclosed in the section headed "Statutory and General Information—A. Further information about our Group—2. Changes in the share capital of our subsidiaries" in Appendix IV of this prospectus. Further, all major shareholding changes and reorganization steps taken by our Group have been included in the section headed "History, Reorganization and Corporate Structure—Reorganization" in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules requires there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public.

We have applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant, and the Stock Exchange has granted, a waiver from strict compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules so that the minimum percentage of the Shares from time to time held by the public will be the higher of:

- (a) 15.0% of the total issued share capital of our Company; or
- (b) such percentage of Shares to be held by the public after the exercise of the Over-allotment Option.

The above waiver is subject to the condition that we make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and we will confirm sufficiency of public float in our successive annual reports after the Listing. In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, we will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Stock Exchange is complied with.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Selling Shareholder, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us, the Selling Shareholder and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

The Offer Price is expected to be determined among the Joint Global Coordinators (for themselves and on behalf of the Underwriters), our Company and the Selling Shareholder on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, October 2, 2019 and, in any event not later than Wednesday, October 9, 2019. If, for any reason, the Offer Price is not agreed among us, the Selling Shareholder and the Joint

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed “Underwriting” in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, October 10, 2019. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares will be 6110.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of us, the Selling Shareholder, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on our Hong Kong register of members. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars.

Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.90478, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB7.0730 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.8174. The RMB to HK\$ and US\$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on September 17, 2019.

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Likewise, the products of sales volumes and average selling prices may differ from revenue by product type due to rounding adjustments.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English version of this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Director</i>		
YU Wu (于武)	House 25 Miami Crescent 328 Fan Kam Road Sheung Shui Hong Kong	Chinese
<i>Non-executive Directors</i>		
SHENG Baijiao (盛百椒)	Suite No. 2803 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
SHENG Fang (盛放)	Suite No. 2803 Convention Plaza Apartments 1 Harbour Road Wanchai Hong Kong	Chinese
CHOW Kyan Mervyn (周紀恩)	Flat A, 13/F 8 Shiu Fai Terrace Mid Level East Hong Kong	Chinese
YUNG Josephine Yuen Ching (翁婉菁)	Flat 2C Fook Moon Building 56-72 Third Street Sai Ying Pun Hong Kong	Chinese
HU Xiaoling (胡曉玲)	Flat 2B No. 6 Lacosta Discovery Bay Hong Kong	Chinese
<i>Independent Non-executive Directors</i>		
LAM Yiu Kin (林耀堅)	House B Louise 20 Stanley Beach Road Stanley Hong Kong	Chinese
HUA Bin (華彬)	75 Eastwood Road Singapore 486346	Singaporean
HUANG Victor (黃偉德)	Flat A, 6/F, Block 9 Braemar Hill Mansion 31 Braemar Hill Road North Point Hong Kong	Chinese

Please see the section headed “Directors and Senior Management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Merrill Lynch Far East Limited

55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Morgan Stanley Asia Limited

Level 46, International Commerce Centre
1 Austin Road West
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Principal place of business in Hong Kong	10/F., Belle Tower 918 Cheung Sha Wan Road Cheung Sha Wan Kowloon, Hong Kong
Company's Website	<u>www.topsports.com.cn</u> <i>(The information on our Company's website does not form part of this prospectus)</i>
Company Secretary	Mr. LEUNG Kam Kwan <i>(FCCA, CPA, ACIS)</i> 9/F., Belle Tower, 918 Cheung Sha Wan Road Cheung Sha Wan Kowloon, Hong Kong
Authorized Representatives	Mr. LEUNG Kam Kwan 9/F., Belle Tower, 918 Cheung Sha Wan Road Cheung Sha Wan Kowloon, Hong Kong Mr. CHOW Kyan Mervyn Flat A, 13/F 8 Shiu Fai Terrace Mid Level East Hong Kong
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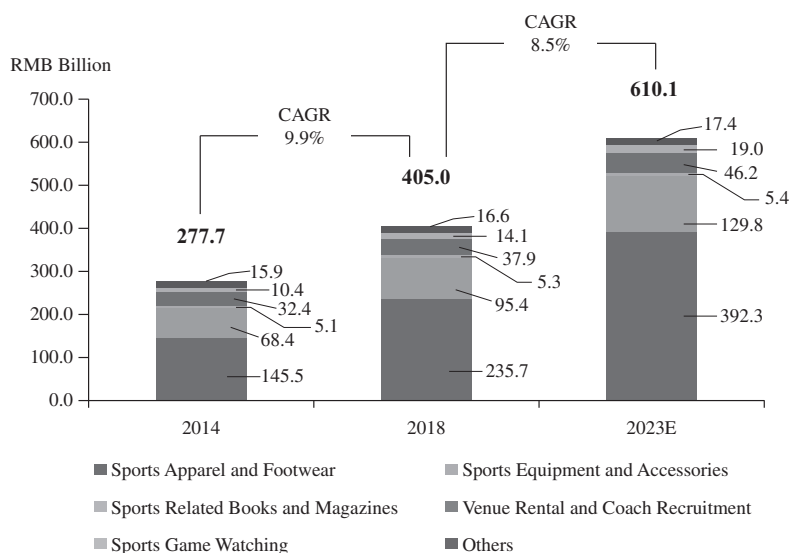
INDUSTRY OVERVIEW

This section contains certain information, statistics and data which are derived from a commissioned report from Frost & Sullivan, an Independent Third Party (the “Frost & Sullivan report”). The information from official government publications, industry sources and the Frost & Sullivan report may not be consistent with information available from other sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading in any material respect. However, neither we, the Selling Shareholder, the Joint Sponsors, the Underwriters nor any other party involved in the Global Offering (except Frost & Sullivan) have independently verified such information, and no representation is given as to its accuracy. Investors are cautioned not to place any undue reliance on the information, including statistics and estimates, set forth in this section or similar information included elsewhere in this prospectus. For a discussion of risks relating to our industries, see the section headed “Risk Factors—Risks Relating to Our Business and Industry” in this prospectus.

OVERVIEW OF CHINA’S SPORTS INDUSTRY

China’s sports industry—which encompasses stadium and sports infrastructure construction, sports goods sales and rental, sports goods manufacturing and other sports-related services—has experienced rapid growth in recent years. According to Frost & Sullivan, China’s overall consumption on sports-related goods and service has increased from RMB277.7 billion in 2014 to RMB405.0 billion in 2018 at a CAGR of 9.9%, and is expected to reach RMB610.1 billion in 2023 at a CAGR of 8.5% from 2018. The following diagram sets forth China’s historical and forecast sports-consumption.

China’s Sports-Related Goods and Services Consumption



Source: Frost & Sullivan Report.

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The following factors have driven the rapid growth of China's sports industry in recent years, and are expected to continuously unleash its future growth potential.

Chinese Consumers Have Joined the Global Pursuit of Holistic Health and Wellness

According to Frost & Sullivan, the market size of the global wellness industry was US\$4.5 trillion in 2018, and is expected to reach US\$6.0 trillion in 2023, representing a CAGR of 6.0% from 2018. This market expansion is primarily because consumers, especially millennials, driven by their rising awareness of health benefits from exercise, easier access to wellness and fitness facilities and stronger consumption willingness, are now paying more attention to their personal well-being. Supported by the rising popularity of social media and the promotion of sports and fitness culture, consumers now are more aware of their holistic wellness, including physical, mental, social and spiritual health. This rising awareness has affected consumers' consumption patterns in all major aspects of their daily lives, including diet, fitness, apparel, personal care, travel and medical services. Furthermore, this rising awareness has also promoted technological development and cross-industry collaboration, which, in turn, have provided consumers with innovative products and services that are more cost-effective, convenient and fit to consumers' demands.

China has become a major driver for global wellness industry in recent years, as Chinese consumers across all age groups are actively embracing the latest healthy lifestyles and wellness concepts that have gained popularity globally. Consequently, many businesses in China are striving to match these emerging trends. According to Frost & Sullivan, the market size of China's wellness industry was RMB7.2 trillion in 2018, and is expected to reach RMB11.3 trillion in 2023, representing a CAGR of 9.5% from 2018.

China's Economic Growth and Increasing Sports Participation

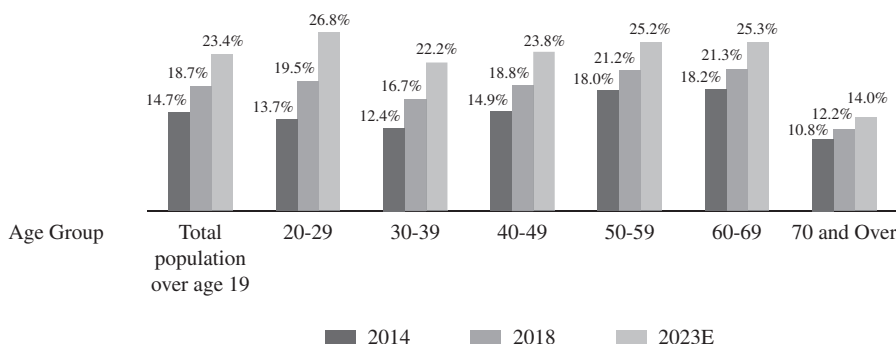
According to Frost & Sullivan, consumers typically begin to spend significantly more on sports-related goods and services after their country reaches a high level of economic development, as accumulated income growth often leads to higher awareness of personal health and wellness. As a result, the country's per capita annual consumption expenditure on sports activities, products and services increased. In the US, for example, as per capita nominal GDP increased from USD5,246 in 1970 to USD12,597 in 1980, its per capita annual consumption expenditure on sports grew from US\$42.4 in 1970 to US\$121.8 in 1980 at a CAGR of 11.1% according to Frost & Sullivan.

China's economy has experienced strong and consistent growth in recent years. As a result, Chinese consumers across different income-level and age groups now enjoy significant improvement in their personal disposable income. Furthermore, China's ongoing urbanization process during the same period has provided an increasing portion of the Chinese population with access to quality sports facilities. Consequently, sports participation and sports consumption, which were previously tempered by economic conditions and limited supply, have increased significantly. According to Frost & Sullivan, China's national regular sports participation rate increased from 14.7% in 2014 to 18.7% in 2018, and its per capita annual consumption expenditure on sports increased from RMB203.0 in 2014 to RMB290.3 in 2018.

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The following diagram sets forth the historical and forecast regular sports participation rate in China by age group.

Regular Sports Participation Rate by Age Group in China



Note: The regular sports participation rate refers to the percentage of the number of people within each age group who participate in sports activities at least three times a week.

Source: Frost & Sullivan Report.

Although China's national sports participation rate is currently at an all time high and increase in sports participation rate has been seen across all age groups, it is still lower than those of other major developed economies. For example, the national regular sports participation rate was 35.9% in the U.S. in 2018. Furthermore, major sports activities, such as football, basketball, table tennis, running and fitness walking, all have a fan base of around 200 million to 300 million each in China, according to Frost & Sullivan. In 2018, nationwide there were 1,441 marathon events with 7.3 million total participants, whereas these two respective totals were only 51 and 0.9 million in 2014. All these factors indicate that China's national sports participation rate still has substantial potential for growth, as does China's per capita annual consumption expenditure on sports, which is expected to further increase from RMB290.3 in 2018 to RMB430.3 in 2023, according to Frost & Sullivan.

Strong Government Support for the Sports Industry

Since 2014, China's central government has promulgated a series of favorable policies to support the country's sports industry. These policies accentuate the importance of the sports industry to the national economy, encourage investments in the industry, promote professional sports services and formulate guidelines on health maintenance for the general public. The following table summarizes certain of these policies promoted by China's central government in recent years.

Policy	Time of Issuance	Policy Targets
Several Opinions of the PRC State Council on Accelerating the Development of Sports Industry and Promoting Sports Consumption (《國務院關於加快發展體育產業，促進體育消費的若干意見》)	October 2014	China aims to have a sports industry by 2025 that encompasses a complete array of sports activities, provides advanced sports functionalities, and has sports resources reasonably distributed. By 2025, the market size of China's sports industry is expected to exceed RMB5.0 trillion.

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Policy	Time of Issuance	Policy Targets
The Thirteenth Five-Year Plan of Sports Industry by the PRC General Administration of Sport of China (《國家體育總局體育產業發展“十三五”規劃》)	July 2016	China aims to increase the market size of its sports industry to RMB3.0 trillion and the total number of individual industry practitioners to over 6 million by 2020. Furthermore, by 2020, the average per capita sports area is expected to be more than 1.8 square meters, and China's per capita consumption on sports is estimated to be greater than 2.5% of its per capita disposable income.
Guidelines of the General Office of the PRC State Council on Development of Fitness and Leisure Activities Industry (《國務院辦公廳關於加快發展健身休閒產業的指導意見》)	October 2016	By 2025, the market size of China's fitness and leisure activities industry, which is an important sub-sector of China's sports industry, is expected to exceed RMB3.0 trillion.

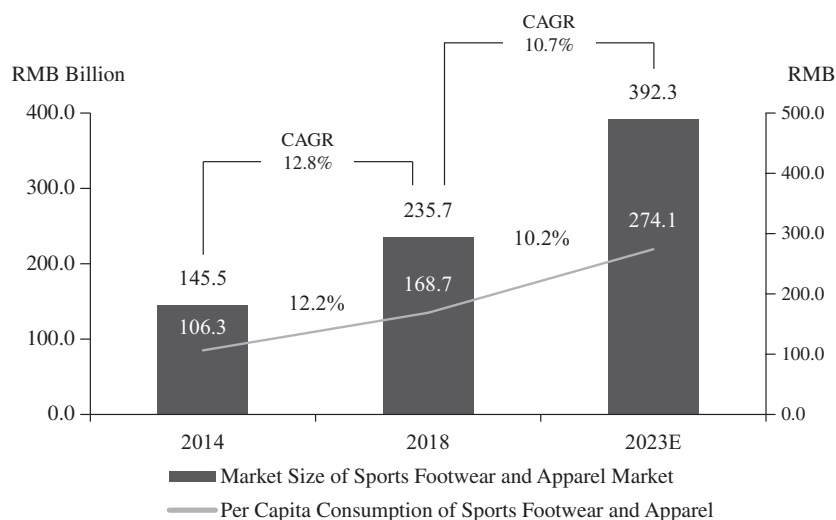
In addition to promulgating favorable policies, China has hosted a significant number of large-scale sports events in recent years, such as the 2008 Beijing Olympics, 2010 Guangzhou Asian Games and 2011 Shenzhen Universiade, and it will continue to host more of these types of events in the near future. For example, Beijing is the host city of the 2022 Winter Olympics, Hangzhou will host the 2022 Asian Games, and China will also host the 2023 AFC Asian Cup. To support these large-scale sports events and help more Chinese residents gain convenient access to various sports activities, China has built, and is expected to continue to build, a large number of sports facilities. The number of stadiums in China is expected to reach approximately 2.1 million by 2023.

OVERVIEW OF CHINA'S SPORTS FOOTWEAR AND APPAREL RETAIL MARKET

After years of rapid expansion, China became the world's second largest sports footwear and apparel retail market after the U.S. in terms of total retail sales value (inclusive of VAT) in 2018, and it is also among the fastest growing major markets in the world, according to Frost & Sullivan. The total retail sales value (inclusive of VAT) of China's sports footwear and apparel retail market increased from RMB145.5 billion in 2014 to RMB235.7 billion in 2018, representing a CAGR of 12.8%, and it is expected to reach RMB392.3 billion in 2023, representing a CAGR of 10.7% from 2018, as the strong momentum continues. Similarly, China's per capita annual consumption expenditure on sports footwear and apparel products increased from RMB106.3 in 2014 to RMB168.7 in 2018, representing a CAGR of 12.2%, and it is expected to reach RMB274.1 in 2023, representing a CAGR of 10.2% from 2018. The following diagram sets forth the historical and forecast market size of China's sports footwear and apparel retail market and China's per capita annual consumption expenditure on sports footwear and apparel.

INDUSTRY OVERVIEW

Market Size of China's Sports Footwear and Apparel Retail Market and China's Per Capita Annual Consumption Expenditure on Sports Footwear and Apparel

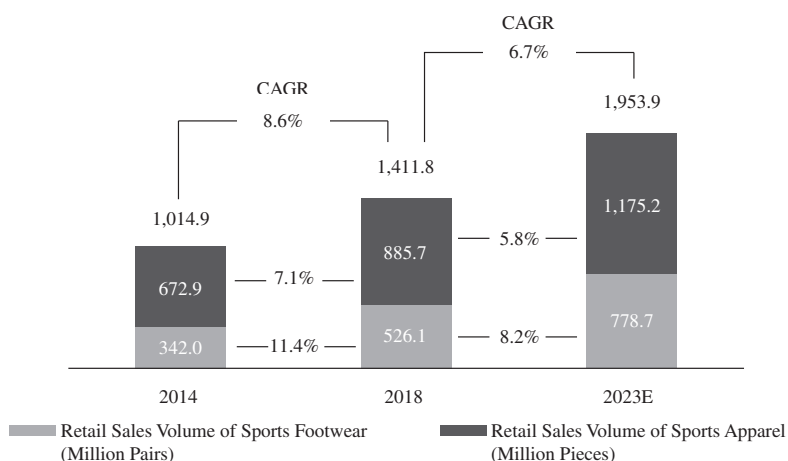


Note: Market size refers to the total retail sales value (inclusive of VAT) of sports footwear and apparel products.

Source: Frost & Sullivan Report.

In addition to growth in total retail sales value (inclusive of VAT), both China's total retail sales volume and its average selling price of sports footwear and apparel have experienced steady growth in recent years, and this growth is expected to continue, according to Frost & Sullivan. The following diagram sets forth the historical and forecast total retail sales volume and average selling price of sports footwear and apparel products in China.

Total Retail Sales Volume and Average Selling Price of Sports Footwear and Apparel Products in China



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Average Selling Price (RMB per Piece/Pair)	2014	2018	2023E
Sports Apparel	112.3	128.8	143.6
Sports Footwear	204.3	231.2	287.1

Source: Frost & Sullivan Report.

Despite the current size and increasing importance of China's sports footwear and apparel retail market, China still lags behind other major developed economies in per capita annual consumption expenditure on sports footwear and apparel. For example, according to Frost & Sullivan, per capita annual consumption on sports footwear and apparel as a percentage of per capita annual consumption on all kinds of footwear and apparel in 2018 was 27.7% in the U.K., 31.8% in U.S., 24.3% in Japan, 25.7% in South Korea and 27.2% in Germany while it was only 12.5% in China. Therefore, China's sports footwear and apparel retail market still has substantial potential for growth.

Features of China's Sports Footwear and Apparel Retail Format

China's retail market for sports footwear and apparel is also distinct from those of the major developed economies in retail format. In China, mono-brand stores are the primary retail format for sportswear products, while multi-brand stores constitute the majority of sportswear retail outlets in the major developed economies. Compared to multi-brand stores, mono-brand stores' competitive advantages lie in their ability to authenticate brand images, act as physical extension of brand value propositions, and deliver unique brand experience to customers. The success of mono-brand stores in China is mainly attributable to the pioneers in China's sports footwear and apparel retail market (including us), who created this new retail format along with leading international sportswear brands back in the early 2000s.

The mono-brand store model in China is also leading the global transition of sports apparel and footwear retail. To enhance consumer experience and strengthen brand presence, leading sports brands are actively supporting the mono-brand retail format globally by shifting more of their resources and attention to select retail partners. The retail partners they are seeking should not only have exceptional capabilities in selling products to consumers, but also able to bring about holistic consumer experience in line with brand images. As a result, the selected retailers are well positioned to enhance their partnership with brand partners and benefit from channel consolidation.

Retail Operations of Global Sports Brands in China

Within the massive Chinese sportswear market, the global sports brands have established strategic and interdependent relationships with local retail partners in China in the past two decades. Global sports brands rely primarily on well-established sports retail companies, particularly partners with scalable nationwide capabilities, to deliver their brand-specific products and experience to local consumers. They leverage the partners' consumer and market insights and operating acumen to provide their products and authenticate their brand in mostly mono-brand stores, as the brand proposition's physical extension. Global sports brands' self-operated sales channels are primarily in the form of online retail and factory outlets. They also operate a limited number of flagship stores that focus on showcasing their brands and increasing consumer awareness. These brands' self-operated stores are typically located in tier-one and tier-two cities. In particular, according to Frost & Sullivan, in 2018 approximately 70% of our Principal Brands' retail-equivalent sales value in China came from wholesale channels (including nationwide and regional retailers), with the remaining from their respective self-operated offline stores and online channels. Local retail partners with years of industry experience are strategically critical to the global sports brands in establishing distribution channels and reaching consumers in China penetrating into various tiers of cities.

INDUSTRY OVERVIEW

Key Growth Drivers and Trends in China's Sports Footwear and Apparel Retail Market

The following are the key growth drivers and trends in China's sports footwear and apparel retail market.

- *People Embracing Consumption Upgrade Across Different Tiers of Cities.* According to Frost & Sullivan, consumers across China are upgrading their sportswear. In China's higher-tier cities, consumers' key concerns for sports footwear and apparel have shifted from "value for money" towards "freshness" and "innovation," and they are willing to pay a premium for these features. With the continuing penetration of retailers' store networks, consumers in China's lower-tier cities have gained access to branded products and started abandoning the non-branded products that they used to purchase.
- *Global Brands Are Gaining Market Share While Domestic Brands Face Divided Prospects in Terms of Growth Outlook.* Leading global sports brands, which are often viewed as more popular and able to deliver better quality products than domestic sports brands, have benefited from China's consumption upgrade described above. As Chinese consumers now have higher disposable personal income, access to a larger supply of products offered at affordable prices, and more diversified sales channels to choose from, the consumer base of global sports brands in China is increasing significantly. According to Frost & Sullivan, the market share of global sports brands in China's sports footwear and apparel retail market has increased from 46.0% in 2014 to 54.0% in 2018, and is expected to further increase to 59.0% in 2023. By comparison, according to Frost & Sullivan, domestic sports brands are placing their business focus on China's lower-tier cities, where consumers are more concerned about "value-for-money." Furthermore, a division has emerged among China's domestic sports brands in terms of growth outlook. Leading domestic brands have positioned themselves in the mass sportswear market and certain niche premium submarkets. Smaller domestic players, in contrast, are losing their market shares in China's lower-tier cities as consumers are shifting to branded domestic products and even to leading international brands' products.
- *Technology Development Empowering Sportswear Retailers.* Offline shopping provides consumers with a personal experience, particularly when it comes to purchasing sports footwear and apparel products, as consumers usually have higher fit and performance requirements that require physical interaction. Leading sportswear retailers in China are actively combining their accumulated consumer and operation insights with technology initiatives to empower their physical store network. These technology initiatives would allow leading retailers to better understand consumer behavior, further enhance their operations and extend their interactions with consumers beyond traditional brick-and-mortar stores.
- *Diversified Sports Activities Increasing Consumers' Demand for More Differentiated Sportswear Products.* With the growing sophistication of China's sports industry, popular sports activities in China are becoming increasingly diversified. According to Frost & Sullivan, the number of fitness clubs in China increased significantly from 45,465 in 2014 to 80,106 in 2018, along with an increase in the number of fitness club members from 27.6 million in 2014 to 47.5 million in 2018. Meanwhile, as a consequence of brand partners' consumer education and social media marketing, more and more Chinese consumers have realized that different sports activities, especially specialized sports such as skiing and fitness training, require sportswear and equipment specific to the sport. They have become increasingly knowledgeable in choosing suitable gear for different sports activities. Furthermore, brand partners have also been promoting product segmentation by offering products designed for specific sports scenarios. This product segmentation has significantly expanded and is expected to continue to expand the market size of China's sports footwear and apparel retail market.

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- *Leading Global Brands Capitalizing on the Athleisure Trend.* As part of cultural change, global consumers are now willing to wear sportswear on different occasions. To cater to this emerging consumer preference, leading international sports brands have produced sportswear products that consumers can wear on both athletic and leisure occasions. Attributable to their trendy designs, these innovative sportswear products have been well received by fashion-conscious consumers and led a global “athleisure” trend in recent years, which, in turn, contributes to global sports brands’ success in competition for market share with other footwear and apparel products. Driven by this trend, China’s consumption on sports footwear and apparel is expected to take up a larger share of China’s overall consumption on footwear and apparel, which is expected to increase from 12.5% in 2018 to 16.5% in 2023, according to Frost & Sullivan. With their exceptional product designs, celebrity endorsements and marketing resources, leading global sports brands are expected to leverage the athleisure trend to further increase their market share in China’s sports footwear and apparel retail market.

ENTRY BARRIERS AND COMPETITION IN CHINA’S SPORTS FOOTWEAR AND APPAREL RETAIL MARKET

Types of Market Players

Major sports footwear and apparel retailers in China can be categorized into three groups: brand-operated channels, nationwide retailers and regional retailers.

- *Brand-operated channels.* These channels are the online and offline stores operated by the brand companies themselves. The brand-operated stores are typically large-scale flagship stores and outlet stores located in China’s tier 1 and tier 2 cities, as well as online flagship stores on major e-commerce platforms. Apart from these stores, leading sports brands tend to cooperate with professional retailers, especially nationwide retailers to efficiently expand business in China. For global sports brands, retail sales value generated from their directly-operated channels represents an average of 10% to 30% of their total retail-equivalent sales value (inclusive of VAT) in China. For more details of the retail operations of global sports brands in China, see “—Retail Operations of Global Sports Brands in China” above.
- *Nationwide Retailers.* Nationwide retailers refer to those that have established directly-operated store networks across China. Nationwide retailers usually have accumulated high levels of operating, marketing, financial and technological resources, and are more strategically aligned with sports brand partners than regional retailers. According to Frost & Sullivan, at the end of 2018, there were only three nationwide retailers in China, which included our Company.
- *Regional Retailers.* Regional retailers refer to those that operate regional store networks in China. Compared to nationwide retailers, regional retailers are highly fragmented, and tend to have smaller-scale operations and fewer stores and employees.

According to Frost & Sullivan, brand-operated channels, nationwide retailers and regional retailers accounted for approximately 33.4%, 28.7% and 37.9%, respectively, of the RMB235.7 billion market size of China’s sports footwear and apparel retail market in 2018. According to Frost & Sullivan, China’s sports footwear and apparel retail market is currently led by nationwide retailers, and they continue to maintain a competitive edge over other market players, relying on their higher operating efficiency and cross-region operating and strategic synergies.

INDUSTRY OVERVIEW

Entry Barriers

New market entrants to China's sports footwear and apparel retail market will encounter a number of barriers, including those relating to:

- *Nationwide Reach and Scale.* Compared to new market entrants which are often smaller players, the leading sportswear retailers in China usually have extensive nationwide store networks that cover a substantial portion of China's sports footwear and apparel market and penetrate deeply into China's lower-tier cities. These leading retailers often have scale advantages, which allow them to benefit from economies of scale, acquire better locations and premises for their new stores and commit to the long-term investments necessary to improve their core competitiveness. By comparison, new market entrants cannot replicate these scale advantages over a short period of time.
- *Ability to Serve Consumers.* Compared to new market entrants, China's leading sportswear retailers are typically able to provide consumers with better services and shopping experiences as a result of their accumulated consumer insights and systematic operational capabilities. Therefore, these leading retailers have advantages in building stronger relationships with consumers.
- *Relationship with Brand Partners.* Leading sportswear retailers in China have managed to maintain lasting and trustworthy relationships with brand companies, which translate into strategic alignment and cooperation spanning across consumer insights, merchandising and operations. These close relationships, once established, are hard to be replaced or duplicated by new entrants.
- *Product Merchandising Competence.* Certain characteristics of China's sports footwear and apparel industry, including long lead-times for procurement, seasonality and vast numbers of SKUs, challenge a sportswear retailer in effectively managing their merchandising. Therefore, new market entrants must invest significant resources, time and effort in improving their merchandising capability and achieving efficient retail operation management.
- *Technology and Innovation Capability.* Compared to new market entrants, established sportswear retailers have greater competence in combining new digital technologies with their accumulated insights and data on consumer preferences and market trends, accumulated experience in store operations and proprietary data; these assets allow them to improve their operational efficiency and deliver better shopping experiences.
- *Access to Premium Locations.* With larger scale, better operating efficiency and more established relationships with brand partners and sales channel partners, leading sportswear retailers often have significantly better access to the premium store locations with higher consumer traffic than new market entrants do.

Competitive Landscape

According to Frost & Sullivan, among all market players in China, we ranked first in terms of retail sales value, including the retail sales value generated from our directly-operated stores and stores operated by our downstream retailers (collectively "retail-equivalent sales value"), inclusive of VAT, in China's sports footwear and apparel retail market in 2018. Our estimated retail-equivalent sales value (inclusive of VAT) reached RMB37.5 billion in 2018, more than 30% higher than that of the second largest player. The following table sets forth the top five sportswear market players in China, all being nationwide or regional retailers, in terms of estimated retail-equivalent sales value (inclusive of VAT).

INDUSTRY OVERVIEW

Ranking	Company	Retail-Equivalent Sales Value (RMB in billions)	Market Share
1	Our Company	37.5	15.9%
2	Company A	27.3	11.6%
3	Company B	3.4	1.4%
4	Company C	2.9	1.2%
5	Company D	2.3	1.0%

Source: Frost & Sullivan report.

We also recorded the highest estimated average retail sales value (inclusive of VAT) per directly-operated store among the top five sports footwear and apparel retailers in the year ended December 31, 2018. Our estimated average retail sales value (inclusive of VAT) per directly-operated store reached RMB3.7 million in 2018, more than 10% higher than that of the second highest player. The following table sets forth the estimated average retail sales value (inclusive of VAT) per directly-operated store of top five sports footwear and apparel retailers in the year ended December 31, 2018.

Ranking	Company	Average Retail Sales Value per Directly-operated Store (RMB in millions)
1	Our Company	3.7
2	Company A	3.3
3	Company B	2.8
4	Company C	1.5
5	Company D	1.2

Source: Frost & Sullivan report.

SOURCES OF THE INDUSTRY INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report about, China's sports industry and sports footwear and apparel retail market for use in this prospectus, for which we paid a fee of HK\$776,000. Frost & Sullivan prepared its report based on data released by government institutions and non-government organizations and its own primary research.

Forecasts and assumptions included in the Frost & Sullivan Report are inherently uncertain because of events or combinations of events that cannot be reasonably foreseen, including, without limitation, the actions of government, individuals, third parties and competitors. Specific factors that could cause actual results to differ materially include, among other things, risks inherent in the sports industry and sports footwear and apparel retail market in China, financing risks, labor risks, supply risks, regulatory risks and environmental concerns.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there has been no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

REGULATORY OVERVIEW

OVERVIEW OF PRC LAWS AND REGULATIONS

PRC Laws and Regulations Relating to Foreign Investment

Companies incorporated in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》) (the “**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (“**NPCSC**”) on December 29, 1993, came into effect on July 1, 1994, and amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018. The PRC Company Law, which governs matters in relation to the establishment, corporate structure and corporate management of companies, also applies to foreign-invested companies in the PRC, except when specific laws on foreign investment provide otherwise.

The matters in relation to establishment procedures, approval procedures, registered capital requirement, foreign exchange, taxation, corporate governance, and human resources, etc. of wholly foreign-owned enterprises established by foreign enterprises and other economic entities or individuals, within the territory of the PRC, are regulated by the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) (the “**WFOE Law**”), which was promulgated on April 12, 1986 and amended on October 31, 2000 and September 3, 2016, and the Implementations Rules to the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法實施細則》), which was promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014. Pursuant to the WFOE Law, the establishment and change of a wholly foreign-owned enterprise which does not involve the implementation of special market entry administrative measures prescribed by the PRC shall be subject to record-filing requirement. The special market entry administrative measures prescribed by the State shall be promulgated by or promulgated upon approval by the State Council.

The Interim Measure for Filing Administration of the Establishment and Modifications of Foreign Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) was issued by the Ministry of Commerce of the PRC (“**MOFCOM**”) on October 8, 2016, and amended on July 30, 2017 and June 29, 2018, pursuant to which the establishment and changes of foreign invested enterprises not subject to the approval under the special access management measures shall be filed with the relevant commerce authorities.

Guidance on foreign investment in different industries in the PRC can be found in the Foreign Investment Industrial Guidance Catalogue (《外商投資產業指導目錄》) (the “**Foreign Investment Catalogue**”) and such Foreign Investment Catalogue will be amended and re-promulgated from time to time. The version of the Foreign Investment Catalogue currently in effect was jointly promulgated by the National Development and Reform Commission of the PRC (“**NDRC**”) and MOFCOM on June 28, 2017 and came into effect on July 28, 2017 (the “**2017 Catalogue**”).

REGULATORY OVERVIEW

The 2017 Catalogue specifies the industries and economic activities falling under the encouraged category, the restricted and prohibited categories in Negative List of the Market Access for Foreign Investment, and what are not listed in 2017 Catalogue would fall into the permitted category. According to the Catalogue of Industries for Encouraging Foreign Investment (2019 Version) (《鼓勵外商投資產業目錄 (2019年版)》) (the “**Encouraging Catalogue**”), which was promulgated by the NDRC and the MOFCOM on 30 June 2019 and became effective on 30 July 2019, the encouraged foreign invested industries stipulated in 2017 Catalogue shall be repealed simultaneously. According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Version) (《外商投資准入特別管理措施(負面清單) (2019年版)》) (the “**Negative List**”), which was promulgated by the NDRC and the MOFCOM on 30 June 2019 and came into force on 30 July 2019, stipulating in detail the special administrative measures for the market entry of foreign investment, the special administrative measures for admission of foreign investments in 2017 Catalogue shall be simultaneously repealed. Pursuant to the Encouraging Catalogue and the Negative List, trading of sporting shoes falls into the permitted industry category.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”) was promulgated by the National People’s Congress on March 15, 2019 and shall come into force as of January 1, 2020, repealing simultaneously the Sino-foreign Equity Joint Ventures Law of the PRC (《中華人民共和國中外合資經營企業法》) (the “**EJV Law**”), the WFOE Law and the Sino-foreign Cooperative Joint Ventures Law of the PRC (《中華人民共和國中外合作經營企業法》) (together with the EJV Law and the WFOE Law, the “**Current Foreign Investment Laws**”). The foreign-invested enterprises established in accordance with the Current Foreign Investment Laws before the effectiveness of the Foreign Investment Law may keep their original organizational forms for five years after the effectiveness of the Foreign Investment Law.

According to the Foreign Investment Law, the State Council will publish or approve to publish a catalogue of special administrative measures, or the negative list. The Foreign Investment Law grants national treatment to foreign invested entities, except for those operating in industries deemed to be either restricted or prohibited in the negative list. In addition, the Foreign Investment Law also provides several protective rules and principles for foreign investors and their investments in the PRC, including, among others, that local governments shall keep policy commitments lawfully made to foreign investors and foreign-invested enterprises and perform all lawfully concluded contracts; foreign-invested enterprises are allowed to issue securities like stocks and corporate bonds; except for special circumstances, in which case statutory procedures shall be followed and fair and reasonable compensation shall be made in a timely manner; expropriation of the investment of foreign investors is prohibited; forced technology transfer is prohibited; and foreign investors may freely remit into or out of PRC, in RMB or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of PRC. Foreign investors or foreign investment enterprise would also be ordered to rectify or imposed a fine for failing to report investment information in accordance with the requirements.

REGULATORY OVERVIEW

PRC Laws and Regulations Relating to the Industry in which We Operate

PRC Competition Law

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the “**PRC Competition Law**”), which was promulgated by the Standing Committee of the National People's Congress (the “**NPCSC**”) on September 2, 1993 and then amended respectively on November 4, 2017 and April 23, 2019. The PRC Competition Law provides that business operators shall not perform any of the following acts enabling people to mistake its goods for those of someone else or speculate that there are certain relations between the aforesaid goods:

- using of marks identical or similar to the names, packaging or decorations of the goods of someone else without proper authorization, which are influential to some extent;
- using the names (including any shortened name, business name, pen name, stage name, translated name, etc., if applicable) of some other enterprises, social groups or individuals without proper authorization, who are influential to some extent;
- using the main part of the domain name, website name or webpage without proper authorization, which are influential to some extent; or
- other confusing acts sufficient for enabling people to mistake its goods for those of someone else or reckon that there are certain relations between the aforesaid goods.

Violations of the PRC Competition Law may result in the imposition of fines and, in serious cases, the revocation of business licenses, as well as the incurrence of criminal liability.

PRC Product Quality Law

The principal legal provisions governing product liability are set out in the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) (the “**PRC Product Quality Law**”), which was promulgated by the NPCSC on February 22, 1993 and amended respectively on July 8, 2000, August 27, 2009 and December 29, 2018. Pursuant to the PRC Product Quality Law, business operators shall have the following obligations:

- a check-for-acceptance system for stock replenishment shall be adopted to examine the quality certificates and other labels of the replenished stock;
- measures shall be adopted to keep products for sale in good quality;
- expired or deteriorated products, the sale of which has been publicly ordered to be discontinued, are not to be sold;

REGULATORY OVERVIEW

- products must be sold with labels that comply with the relevant provisions;
- sellers must not forge the origin of a product, or fraudulently use the name or address of another producer;
- sellers must not forge or fraudulently use product quality marks such as authentication marks; and
- sellers must not mix impurities or imitations into products, or substitute a fake product for a genuine one, a defective product for a high-quality one, or pass a substandard product off as an up-to-standard one.

Violations of the PRC Product Quality Law may result in the imposition of fines. In addition, the relevant seller will be ordered to suspend its operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

According to the PRC Product Quality Law, consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the responsibility lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

PRC Consumer Protection Law

The principal legal provisions for the protection of consumer interests are set out in the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) (the “**PRC Consumer Protection Law**”), which was promulgated on October 31, 1993 and came into effect on January 1, 1994, and was subsequently amended in 2009 and 2013. Pursuant to the PRC Consumer Protection Law, business operators shall have the following obligations:

- ensuring that goods and services provided to consumers comply with relevant laws and regulations, including requirements regarding personal safety and protection of property;
- issuing vouchers for goods or services to consumers in accordance with relevant national regulations or business practices or upon the request of a consumer;
- ensuring the quality, functionality, application and duration of use of the goods or services under normal use and ensuring that the actual quality of the goods or services are consistent with that displayed in advertising materials, product descriptions, samples or any other manners;
- properly performing its responsibilities for guaranteed repair, replacement, return or other liability in accordance with national regulations or any agreement with consumers; and

REGULATORY OVERVIEW

- not setting unreasonable or unfair terms for consumers or excluding itself from civil liability for undermining the legal rights and interests of consumers by means of standard contracts, circulars, announcements, shop notices and the like.

Violations of the above PRC Consumer Protection Law may result in the imposition of fines. In addition, the relevant business operator will be ordered to suspend its operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

According to the PRC Consumer Protection Law, a consumer whose legal rights and interests are prejudiced during the purchase or use of goods may demand compensation from the seller. Where the responsibility lies with the manufacturer or another seller that provides the goods to the seller, the seller shall, after settling the claim, have the right to recover such claim from that manufacturer or that other seller. Consumers or parties who suffer injuries or property losses due to product defects in commodities may demand compensation from the manufacturer as well as the seller. Where the responsibility lies with the manufacturer, the seller shall, after settling the claim, have the right to recover such claim from the manufacturer, and vice versa.

PRC Laws and Regulations Relating to Labor

Labor Contracts

The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the “**PRC Labor Contract Law**”) came into effect on January 1, 2008, and was subsequently amended on December 28, 2012, with the amendments coming into effect on July 1, 2013. The PRC Labor Contract Law is primarily aimed at the regulation of employer/employee rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Under the PRC Labor Contract Law: (i) employers must pay employees double income in circumstances where an employer fails to enter into a labor contract within one year with an employee who works for the employer for a period exceeding one month. Where such period exceeds one year, the parties are deemed to have entered into a labor contract with an unfixed term; (ii) employees who fulfil certain criteria, including having worked for the same employer for 10 years or more, may demand that the employer execute an labor contract with an unfixed term; (iii) employees must adhere to the regulations concerning commercial confidentiality and non-competition; (iv) the range of situations in which employers must lawfully compensate employees has increased; (v) an upper limit has been set on the amount of compensation an employer.

Employee Benefits

The Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) (the “**PRC Social Insurance Law**”) came into effect on 1 July 2011 and was amended respectively on December 28, 2012 and December 29, 2018. Under the PRC Social Insurance Law, social insurance system of the PRC includes basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to

REGULATORY OVERVIEW

guarantee the rights of citizens to legally obtain material assistance from the state and society in case of old age, illness, work-related injuries, unemployment and childbirth. Also, employers and individuals within the territory of the PRC shall pay social insurance premiums in accordance with the law, and have the rights to inquire about their premium contribution records and personal benefit records and request social insurance agencies to provide social insurance consultation and other relevant services. Individuals shall enjoy social insurance benefits in accordance with the law, and have the right to oversee the premium payments made for them by their employers.

According to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council and became effective on April 3, 1999 and amended respectively on March 24, 2002 and March 24, 2019, enterprises must register with the competent managing center for housing provident funds. Employers are required to contribute, on behalf of their employees, to housing funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

PRC Regulations on Foreign Exchange

The Foreign Exchange Administrative Regulations

Pursuant to the Administrative Regulations of the People's Republic of China on Foreign Exchange (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Administrative Regulations**”), which was promulgated by the State Council on January 29, 1996 and was then amended on January 14, 1997 and August 5, 2008, and came into effect on August 5, 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside the PRC, unless the prior approval by SAFE or its local counterparts is obtained.

SAFE Circular 19

According to the Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”), which was promulgated on March 30, 2015 and became effective on June 1, 2015, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). And foreign-invested enterprises are allowed to settle such portion at 100% of their foreign exchange capital on a discretionary basis. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

REGULATORY OVERVIEW

SAFE Notice 59

According to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “SAFE Notice 59”), which was promulgated on November 19, 2012 and amended respectively on May 4, 2015 and October 10, 2018, the verification procedure for reinvestment made by foreign investors with lawful income obtained from domestic profits, equity transfer, capital reduction, liquidation, advance recovery of investment, among others, shall be cancelled, and accounting firms may handle confirmation request formalities for capital verification based on the relevant foreign exchange registration information of the invested enterprises. Also, the foreign exchange administration for the domestic reinvestment of foreign-invested holding companies is simplified.

SAFE Notice 16

Pursuant to the Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Notice 16”), which was promulgated and became effective on June 9, 2016, enterprises registered in the PRC (including Chinese-funded enterprises and foreign-funded enterprises, but excluding financial institutions) may also covert their foreign debt from foreign currency into RMB on self-discretionary basis. And SAFE Notice 16 also provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital, foreign debt and funds recovered from overseas listing) on a self-discretionary basis, which applies to all enterprises registered in the PRC.

PRC Laws and Regulations on Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), which was promulgated on March 16, 2007 and then amended respectively on February 24, 2017 and December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法實施條例》), which was promulgated on December 6, 2007 and became effective on January 1, 2008 and amended on April 23 2019, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from January 1, 2008. An enterprise established outside the PRC with its “de facto management body” located in the PRC is considered a “resident enterprise”, which means it can be treated as domestic enterprise for enterprise income tax purposes. A non-resident enterprise that does not have an establishment or place of business in the PRC, or has an establishment or place of business in the PRC but the income of which has no actual relationship with such establishment or place of business, shall pay enterprise income tax on its income deriving from inside the PRC at the reduced rate of enterprise income tax of 10%.

REGULATORY OVERVIEW

Value Added Tax

The Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》) (the “**VAT Regulations**”) was promulgated by the State Council on December 13, 1993 and then amended respectively on November 10, 2008, February 6, 2016 and November 19, 2017. Under the VAT Regulations, value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided with in the PRC. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%. In accordance with The Notice of Taxation on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) promulgated by the Ministry of Finance and SAT on April 4, 2018 and with effect from May 1, 2018, and The Announcement on Relevant Polices For Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated by the Ministry of Finance, SAT and the General Administration of Customs on March 20, 2019 and with effect from April 1, 2019, the tax rates of 17% applicable to any taxpayer's VAT taxable sale of goods shall be adjusted to 16% and 13% successively.

PRC Laws and Regulations on Dividend Distribution

Under the PRC Company Law and the WFOE Law, foreign-invested enterprises may not distribute after-tax profits unless they have contributed to the funds as required by PRC laws and regulations and have set off financial losses of previous accounting years.

According to the EIT Law and the Implementation Rules, dividends paid to its foreign investors are subject to a withholding tax rate of 10%, unless relevant tax agreements entered into by the PRC Government provide otherwise.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵收和防止偷漏稅的安排》), which became effective on December 8, 2006, the 5% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident, provided that the recipient is a company that directly holds at least 25% of the capital of the PRC company; the 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if the recipient is a company that directly holds less than 25% of the capital of the PRC company.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated by the State Administration of Taxation of the PRC (the “**SAT**”) and became effective on February 20, 2009, all of the following requirements must be satisfied for a resident enterprise to enjoy the preferential tax rates provided under the tax agreements: (i) such a fiscal resident who obtains dividends should be a company as defined in the tax agreement; (ii) the equity and voting interests in the PRC

REGULATORY OVERVIEW

resident enterprise directly owned by such fiscal resident must reach a specified percentage; and (iii) the equity interests of the PRC resident enterprise directly owned by such fiscal resident, at any time during the 12 months prior to the payment of the dividends, must reach a specified percentage.

Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which became effective on November 1, 2015 and revised on June 15, 2018 by the SAT, a non-resident taxpayer meeting conditions for the tax agreement treatment may obtain this treatment when filing a tax return or making a withholding declaration through a withholding agent, subject to the administrative policies of the tax authorities.

The Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的通告》) (the “**Announcement 9**”), which was promulgated by the SAT on February 3, 2018 and took effect on April 1, 2018, provides the methods to determine the “beneficial owners” under the treaty articles on dividends, interest and royalties. Pursuant to Announcement 9, a “beneficial owner” generally must be engaged in substantive business activities and, for determining such a “beneficial owner”, a comprehensive analysis shall be conducted based on the factors set out in the Announcement 9 and in combination with the actual conditions of the specific case.

PRC Intellectual Property Law

Trademarks

The principal legal provisions for the protection of holders of registered trademarks are set out in both the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) (the “**PRC Trademark Law**”), which was promulgated by the NPCSC on August 23, 1982 and amended respectively on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 (the last amendment will come into effect) and came into effect on May 1, 2014, and the Implementing Regulations of the Trademark Law of the People’s Republic of China (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002, amended on April 29, 2014 and with effect from May 1, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Market Regulation of the PRC handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within 12 months prior to the expiration of the term.

REGULATORY OVERVIEW

Under the PRC Trademark Law, any of the following acts maybe regarded as an infringement upon the right to exclusive use of a registered trademark, including (1) to use a trademark that is identical with a registered trademark in respect of the same goods without authorization of the proprietor of the registered trademark; (2) to use a trademark similar to a registered trademark in respect of the same goods or to use a trademark identical with or similar to a registered trademark in respect of similar goods, without authorization of the proprietor of the registered trademark, where such use is likely to cause confusion; (3) to sell the goods that infringe the exclusive right to use a registered trademark; (4) to counterfeit, or to make, without authorization, representations of a registered trademark of another person, or to sell such representations of a registered trademark as were counterfeited, or made without authorization; (5) to replace, without authorization, a registered trademark and put the goods bearing the replaced trademark on the market; (6) to intentionally provide a person with conveniences for such person's infringement of the trademark of another person or facilitate such person's infringement of the trademark of another person; and (7) to cause, in other aspects, prejudice to the exclusive right of another person to use a registered trademark.

Violation of the PRC Trademark Law may result in the imposition of fines, confiscation and destruction of the infringing commodities.

In the event of authorizing other persons to use the registered trademark, the licensor shall report the same to the Trademark Office for filing and the latter shall make corresponding publication. Non-archival authorization of using trademarks shall not oppose to any bona fide third party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW AND HISTORY

We are the largest sportswear retailer in China in terms of estimated total retail-equivalent sales value (inclusive of VAT), with a 15.9% market share in China's sportswear retail market in 2018, according to Frost & Sullivan. Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on September 5, 2018 in anticipation of the Listing. Immediately following the incorporation, our Company has been the holding company of our Group.

MILESTONES

The following table illustrates the key milestones of our history and business developments:

Year	Milestone
1999	We commenced our business relationship with Nike.
2004	We started our business relationship with adidas and we became the largest retail partner and customer for Nike in China in terms of wholesale value.
2006	Belle International acquired our business from its then affiliate and became our holding company and a Controlling Shareholder.
2006-2007	We further expanded our brand portfolio and started our business relationship with brands such as Puma, etc.
2007	Belle International was listed on the Stock Exchange.
2012	We became the largest retail partner and customer of adidas globally in terms of wholesale value.
2015	Our business extended to various brands, including The North Face, Timberland, ASICS and Onitsuka Tiger.
2017	Belle International was delisted from the Stock Exchange. Upon completion of the Privatization, Hillhouse HHHB became one of our Controlling Shareholders.
2018	We entered into the urban sportswear market by acquiring the multi-brand retailer "FOSS".
2019	We established the largest NBA flagship store outside of North America.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR HISTORY

Early History

Our history dates back to 1999 when we entered into a retail agreement with our first brand partner to commence our sportswear retail business. In our early years, we aggressively expanded the geographical reach of our retail network to satisfy the needs of the Chinese consumers for sportswear products.

As a result of the leadership of our management and dedication of our employees, we started our business relationship with adidas and we became the largest retail partner and customer of Nike in China in terms of wholesale value in 2004. Our physical store network was further expanded in 2006, by which time we were operating over 700 retail outlets. We continued to expand our brand portfolio between 2006 and 2007 and started our business relationship with brands such as Puma, etc.

By the time when Belle International was listed on the Stock Exchange in May 2007, we were one of the largest retail partners in the PRC for two leading international sportswear brands, Nike and adidas.

Further Expansion of our Business and Establishment of our Subsidiaries

In order to develop an extensive sales network in China, we expanded our presence through the acquisition of Big Step, which were operating approximately 600 directly-operated retail outlets in China by March 2013 through its subsidiaries. We further incorporated a large number of subsidiaries in the PRC to operate and manage our stores network throughout China.

Since 2013, we have further developed deep and long-term partnerships with a number of other leading international brands and as of the Latest Practicable Date, we had 8,372 directly-operated stores in China.

PRINCIPAL OPERATING SUBSIDIARIES

Details of the principal subsidiaries of our Group incorporated/established/acquired in the PRC which, among other things, made a material contribution to our results of operations during the Track Record Period (the “**Principal Operating Subsidiaries**”) are set out in the section headed “II. Notes to the Historical Financial Information—2. Reorganization and Basis of Presentation—2.1 Reorganization” in the Accountant’s Report in Appendix I to this prospectus.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRIOR LISTING OF BELLE INTERNATIONAL ON THE STOCK EXCHANGE AND SUBSEQUENT DELISTING

Belle International and its Prior Listing

Belle International is a Controlling Shareholder and our Group has been operating under Belle International as one of its distinct businesses since 2006. The other key businesses of Belle International adopt a vertically integrated business model which covers product research and development, design, brand management, manufacturing and retailing of footwear and apparel products (the “**Other Belle Businesses**”).

The shares of Belle International were listed on the Stock Exchange on May 23, 2007 by way of an initial public offering giving rise to a market capitalization of approximately HK\$51.0 billion with an offer price of HK\$6.20 per share at the time of its listing.

To the best knowledge and belief of our Directors, during the relevant period in which Belle International was listed on the Stock Exchange, Belle International had complied in all material respects with the applicable requirements of the Listing Rules.

For further details of Belle International, please refer to the section headed “Relationship with our Controlling Shareholders” of this prospectus.

Privatization of Belle International

Belle International was taken private by a consortium, comprising Hillhouse HHHB and its affiliate, WMVL and SCBL, through Muse B as the offeror on July 25, 2017. The Privatization was implemented by way of a scheme of arrangement under the applicable companies law of the Cayman Islands. At the court meeting and the extraordinary general meeting (the “**Meetings**”) of Belle International convened on July 17, 2017, the relevant resolutions approving the scheme of arrangement were passed by approximately 99% of the votes that were cast at the Meetings. In addition, two reputable international proxy voting specialists recommended voting in favor of the Privatization. Immediately following the Meetings, the scheme of arrangement was sanctioned without modification by the Grand Court of the Cayman Islands. On July 27, 2017, the listing of the shares in Belle International on the Stock Exchange was withdrawn.

For the Privatization, a consideration of HK\$6.30 per share was paid to the then shareholders of Belle International, resulting in a market capitalization of approximately HK\$53.1 billion. Such consideration was determined on a commercial basis after taking into account, among other things, the challenging operating environment faced by Belle International, the significant resources required to reinvigorate the financial performance of Belle International, the price at which the shares of Belle International were traded on the Stock Exchange, the historical and then trading multiples of comparable companies listed on the Stock Exchange and with reference to other privatization transactions in Hong Kong in preceding years.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

During the approximately 10-year period when Belle International Shares were listed on the Main Board of the Stock Exchange, Belle International had separately disclosed the financial and operating performance of its footwear business segment and its sportswear and apparel segment. There was a material deterioration in the performance of the footwear business of Belle International, which was the major contributor to Belle International's operating profit, in the years leading up to the Privatization. This weakened performance of its footwear business resulted in Belle International suffering a continuous decline in its overall financial performance, which was considered by Belle International to be the main reason for the significant decline in its share price and market capitalization prior to the Privatization. Therefore, our Directors are of the view that Belle International's market capitalization at the time of the Privatization (being approximately HK\$53.1 billion, represented by the consideration price of HK\$6.30 per share) does not serve as a fair reference point for our Group's valuation (being approximately HK\$57.1 billion based on mid-point of the indicative Offer Price range), as our Group's business is vastly different from that of Belle International at the time of the Privatization.

Faced with such challenging operating environment, at the time of the Privatization, Belle International planned to proceed with a fundamental transformation of the entire group of Belle International, including our Group. Such fundamental transformation required Belle International, in particular its footwear business, to pursue a number of transformative and innovative initiatives and contribute significant resources towards technology, infrastructure (primarily logistics resources) and talent. Given the complexity of the footwear business of Belle International arising from its vertically-integrated business model, implementation of such fundamental transformation involved various execution risks to different extents, and as a result, significant uncertainty as to the outcome. It was concluded that it would be difficult to effectively implement the transformation and could be subject to additional risks if Belle International continued to be a publicly listed company, which by its nature, could be subject to short-term distraction and pressure from the volatile public equities market.

The Privatization also allowed Belle International to benefit from the experience and resources of the members to the consortium formed to privatize Belle International. Immediately following the Privatization, the consortium members contributed key management and execution personnel resources to the Belle International Group. These personnel have extensive experience and expertise in various areas, including corporate strategic development, information technology, big data analytics and e-commerce, which are essential to the transformation of Belle International. Moreover, leveraging on the consortium members' experience, business connections and resources in the fields of new retail and technology, we established strategic partnerships with internet and e-commerce giants and top-tier technology companies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Transformation Initiatives after the Privatization

After the Privatization, our Group started to formulate, and then launched and implemented, a series of initiatives to optimize our operations and enhance the productivity. We aligned these transformation initiatives in three primary dimensions: frontline staff, store operations and merchandise management. For details, see the section headed “Business—Our Digital Transformation Initiatives” in this prospectus.

The footwear business of Belle International has devoted considerable operating resources to explore a variety of transformation initiatives in various business processes involved in its value chain. Given the complexity and dynamic nature of its footwear business, these transformation initiatives included a mix of fundamental changes as well as incremental improvements to the business, with a goal to achieve a significant and sustainable long-term improvement in performance. Therefore, the transformation of Belle International is expected to take a longer period of time, compared to that required for implementation of the transformation initiatives undertaken by our Group.

Funding of the Privatization

The cash requirement of the Privatization of approximately HK\$45.3 billion was financed through debt financing under the Facility Agreement and equity investment by Hillhouse HHBH (and its affiliate) and SCBL.

The debt financing under the Facility Agreement comprises term and incremental term and revolving facilities with interest rates determined with reference to HIBOR or such other interest rate in accordance with the terms of the Facility Agreement. The Facility Agreement contains customary representations, mandatory prepayment events (including in the event of an initial public offering), covenants and events of defaults for financing of similar nature. The events of default are subject to applicable grace period and materiality thresholds, and include, among others, payment default, breach of financial covenants, misrepresentation, cross default, insolvency, illegality and invalidity. The Facility Agreement also contains financial covenants that the parties to the Facility Agreement negotiated on an arm’s length basis and include leverage ratio, debt service cover ratio and capital expenditure limits. As at the Latest Practicable Date, Belle International is not aware of, and has not received any notification from its lenders of, any breach of any undertaking or covenant under the Facility Agreement that could constitute an event of default. It is expected that the undertakings and covenants under the Facility Agreement will continue to be complied with following the completion of the Global Offering.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The debt financing under the Facility Agreement are secured by, among others, (a) all undertakings and assets of, and shares in, Muse B, Belle International and Belle Sports; (b) all undertakings and assets of, and shares in, our Company and certain of our subsidiaries, including, Topsports Group, Fullbest Investments and Full State; and (c) shares in Topsports Investments (Shanghai) Company Limited (滔搏投資(上海)有限公司), a Principal Operating Subsidiary. Such security is granted in favor of Bank of America, N.A. (in its capacity as the security agent), an authorized institution as defined in the Banking Ordinance as security for the bona fide commercial loans under the Facility Agreement. Upon completion of the Listing, the security granted by our Company over our undertakings and assets of, and shares in, our subsidiaries, will be released on the Listing Date.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and the Stock Exchange that it will observe its respective obligations, including, where applicable, to inform us in writing from time to time of the number of Shares subject to share charges during the term of the Facility Agreement. Please refer to section headed “Underwriting—Underwriting Arrangements and Expenses—Undertakings to the Stock Exchange pursuant to the Listing Rules—Undertakings by the Controlling Shareholders” in this prospectus for further details.

We will also inform the Stock Exchange as soon as we have been informed that the Shares under such share charges will be disposed of, and disclose such information by way of an announcement as soon as possible. If any event of default under the Facility Agreement occurs, the lenders can enforce their rights against the relevant Controlling Shareholders including enforcing their rights against the charged Shares. However, unlike a typical margin financing arrangement, the Facility Agreement does not contain any provision which would require the maintenance of loan-to-value ratio of the Shares and, in particular, the Facility Agreement does not contain any margin call provision which would be triggered by the variation in the value of our Shares. Please also refer to section headed “Risk Factors—Risks relating to the Global Offering—Certain equity interests and assets of some of our Controlling Shareholders, including Shares in our Company, have been charged as security interests pursuant to the Facility Agreement. A default under the Facility Agreement could result in enforcement of these security interests, which could materially and adversely affect our Controlling Shareholders’ ownership in our Group” in this prospectus.

Reasons for seeking the Listing on the Stock Exchange

Since the Privatization, Belle International has pursued transformative initiatives across its businesses. In particular, our Group pursued, amongst others, the digital transformation initiatives (please refer to the section headed “Business—Our Digital Transformation Initiatives” in this prospectus for further details).

At the time of the Privatization, Belle International had not contemplated the Listing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

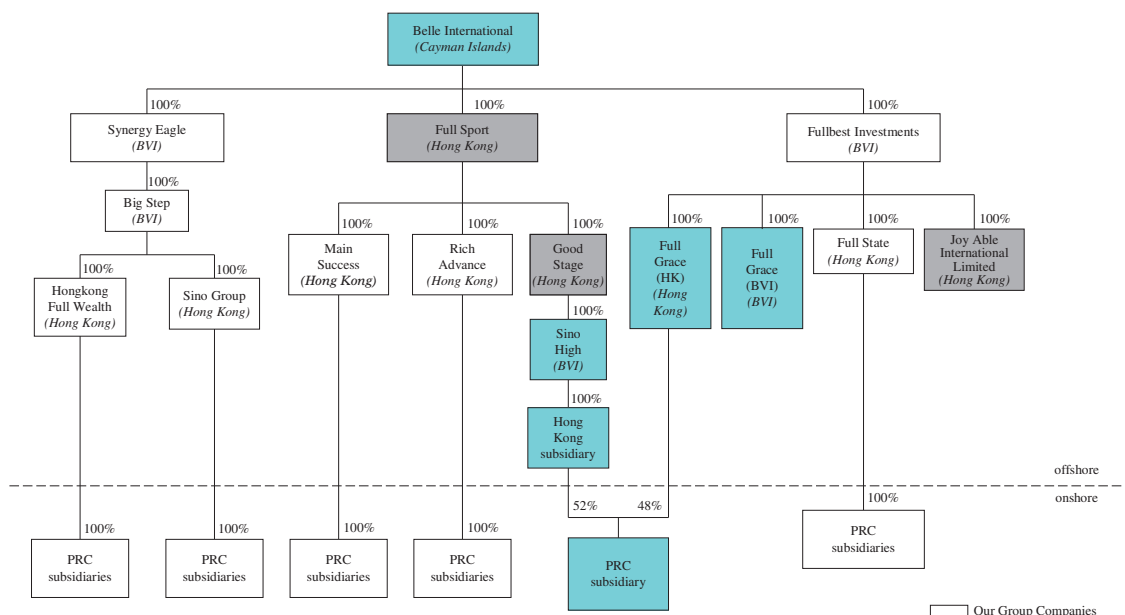
Our Directors consider that we are ready to re-enter the capital markets by seeking a listing on the Stock Exchange, which will support our business development strategies, and will be beneficial to us and our Shareholders as a whole for the following reasons:

- we have launched and implemented the initiatives and our completion of the Reorganization signified a clear business delineation of our Group from the Other Belle Businesses. Given that our business and the Other Belle Businesses are at different stages of development and rely on different business models, the Listing will allow us to pursue our own business strategies that better suit our own needs;
- the growth potential of the sportswear sector is increasingly being acknowledged and rewarded by the capital markets. Since the Privatization, valuations of China-based sportswear-related companies have seen significant appreciation. Prior to the Privatization, our Group had maintained continuing growth in revenue and net profit, and since the Privatization, this trend has continued. As a result, the scale of our Group has increased markedly, with revenue and net profit having increased by approximately 50.1% and 67.0%, respectively, between the year ended February 28, 2017 and the year ended February 28, 2019;
- further investment in technology-enabled retail operations may be capital intensive. The Listing will provide us with direct and independent access to the capital markets, when needed. Please refer to the section headed “Future Plans and Use of Proceeds—Use of Proceeds” in this prospectus for details;
- being a Stock Exchange-listed company will further raise our profile, which will enhance our ability to attract more talent (especially the high-calibre talent for our various technology initiatives), business partners (including brand companies) and potential strategic investors; and
- the share price performance of our Company will serve as a benchmark for our Shareholders and the investing public to independently evaluate our performance.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

During the Track Record Period and immediately prior to the Reorganization, the principal business of our Group was held by Synergy Eagle, Full Sport and Fullbest Investments. Set forth below is the simplified corporate structure of our Group before the Reorganization.



For the purpose of the Listing and consolidating our business, our Group carried out the Reorganization, which included the following major steps:

Incorporation of the offshore companies of our Group

Our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability on September 5, 2018. Upon the incorporation, one ordinary share of US\$0.1 each was allotted and issued as fully paid to the initial subscriber which was subsequently transferred to Belle International on the same date.

On September 19, 2018, Belle International transferred such one ordinary share of US\$0.1 each representing the entire issued share capital of our Company to its directly wholly-owned subsidiary, Belle Sports.

Topsports Group

Topsports Group was incorporated as a BVI business company in the BVI on September 5, 2018. Topsports Group allotted and issued one share as fully paid to our Company on September 19, 2018 and became a directly wholly-owned subsidiary of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Formation of our Group

Consolidation of the sportswear business for the formation of our Group

We took a series of reorganization steps within the Belle International Group to consolidate the principal business of our Group.

On November 26, 2018, the entire share capital of each of Hongkong Full Wealth and Sino Group was transferred to Full State; the entire share capital of each of Main Success and Rich Advance was transferred to Sino Group; the entire share capital of Fullbest Investments was transferred to Topsports Group; the entire share capital of Full Grace (HK) was transferred to Full Grace (BVI); the entire share capital of Full Grace (BVI) was transferred to Double Increase; and the entire share capital of Sino High was transferred to Double Increase. On February 14, 2019, the entire share capital of Synergy Eagle was transferred to Fullbest Investments.

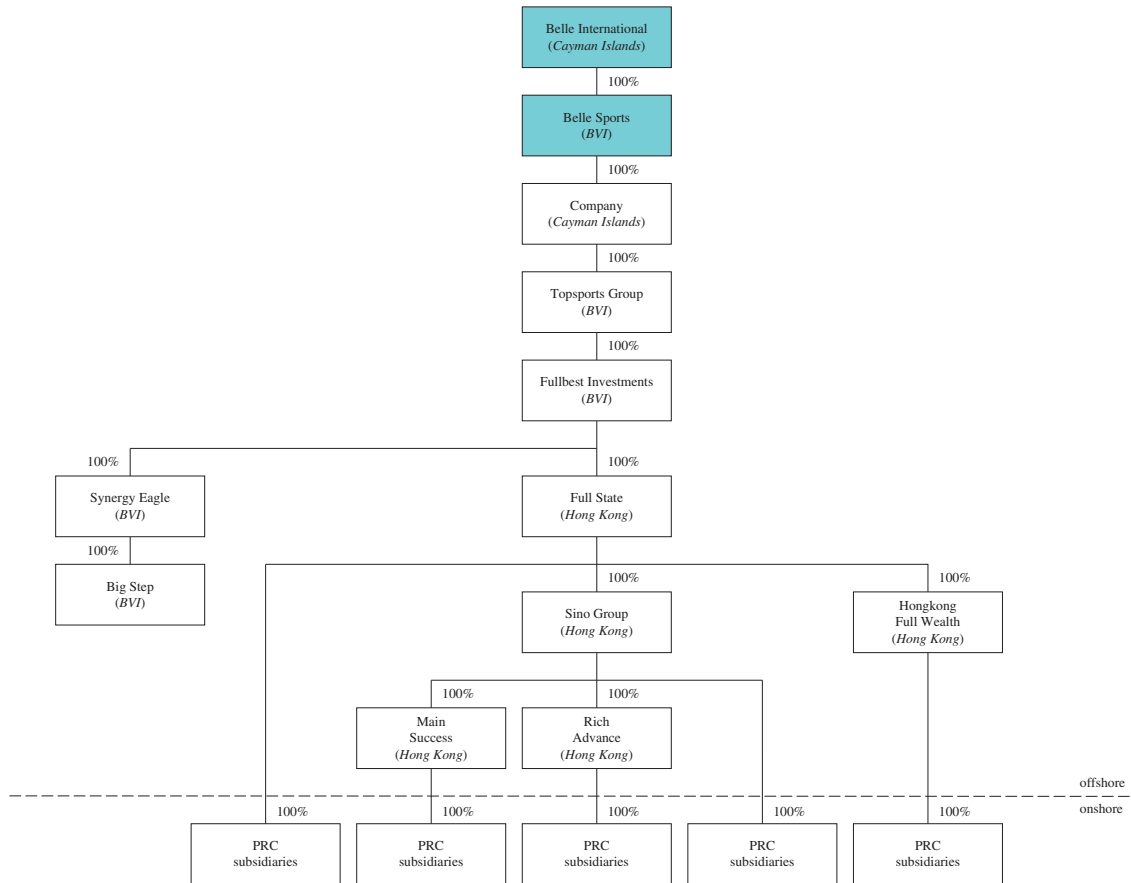
Upon the completion of the above reorganization steps, Full Grace (HK), Full Grace (BVI), Sino High and their subsidiaries no longer formed part of our Group. Other than a PRC subsidiary which primarily holds certain assets that are unrelated to the principal business of our Group, these entities are investment holding companies. Each of Full Grace (HK), Full Grace (BVI), Sino High and their respective subsidiaries did not have any material regulatory non-compliance during the Track Record Period.

De-registrations

Joy Able International Limited was deregistered on June 14, 2019. Each of Full Sport and Good Stage will be deregistered in due course. None of these entities had any material regulatory non-compliance during the Track Record Period.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Set forth below is the simplified corporate structure of our Group after the Reorganization:



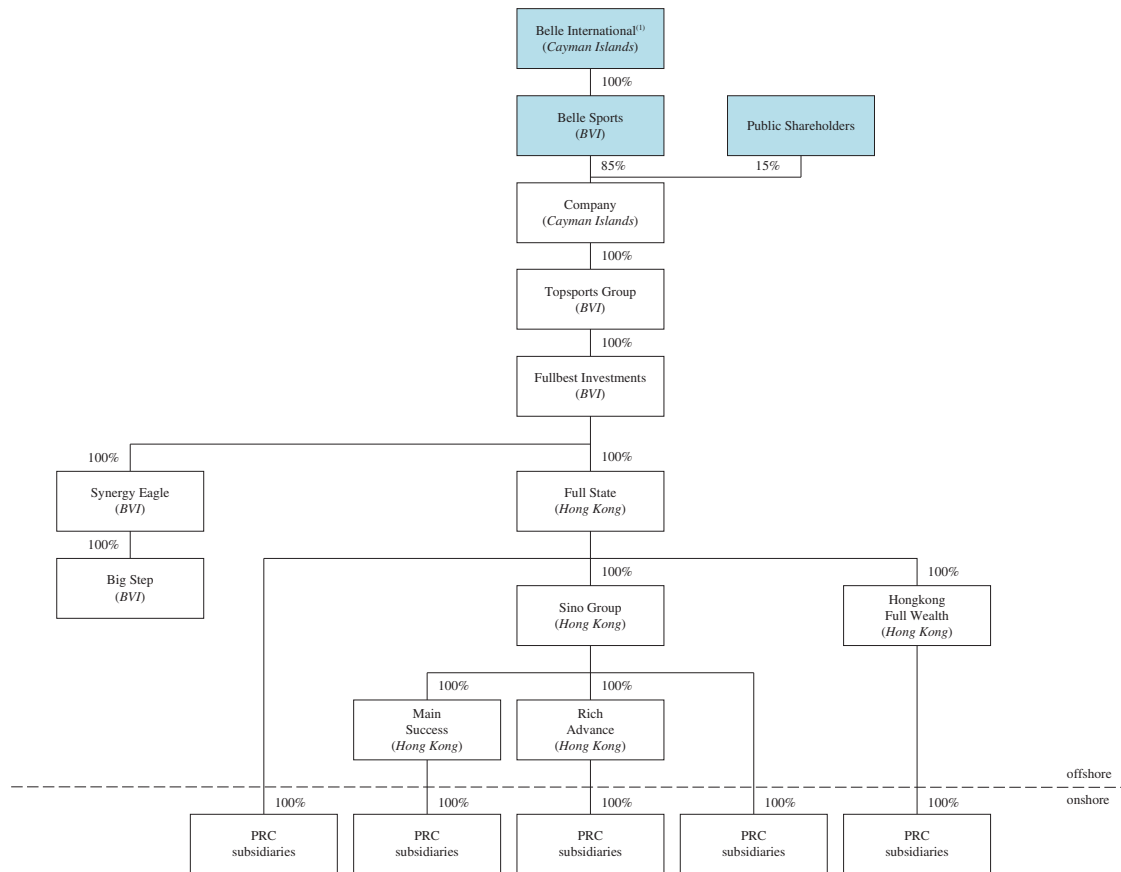
THE CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 5,271,038,023 Shares credited as fully paid at par value to the Shareholder whose name appears on the register of members of our Company (being Belle Sports) at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as it may direct) by way of capitalization of the sum of HK\$5,271.038023 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Share.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The simplified corporate structure of our Group immediately following the Capitalization Issue and the completion of the Global Offering (assuming the Over-allotment Option is not exercised) is as follows:



Note:

- As at the Latest Practicable Date, Belle International is ultimately owned by Muse Holdings through its wholly owned subsidiaries, Muse B and Muse M. Muse Holdings was formed for the purpose of the Privatization, and ultimately holds all the businesses of Belle International, including our business. As at the Latest Practicable Date, Muse Holdings is held as to 46.36% by WMVL, as to 44.48% by Hillhouse HHBH and as to 9.16% by SCBL. WMVL is a business company incorporated in the BVI, the issued share capital of which is held, directly or indirectly, by certain Directors and other senior management members of the Belle International Group. Hillhouse HHBH is an exempted company incorporated under the laws of the Cayman Islands with limited liability. Hillhouse HHBH is ultimately controlled by Hillhouse LP and the sole investment manager of Hillhouse LP is Hillhouse Capital. SCBL is a business company incorporated in the BVI with limited liability which is directly wholly owned by Alpha Mavericks Limited and indirectly controlled by CDH Fund V Group and ultimately controlled by CDH V Holdings Company Limited.

PRC LEGAL COMPLIANCE

SAFE REGISTRATION IN THE PRC

According to the SAFE Circular 37 promulgated by the SAFE on July 4, 2014 and with effect from the same date, which replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Resident's Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 75"), the domestic resident shall conduct foreign exchange registration for offshore investment with the SAFE before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, and modify corresponding registration information accordingly when any change of stipulated circumstances occurs. Failure to comply with relevant regulations on foreign exchange registration could result in punishment and subject the PRC subsidiaries of such SPV to restrictions on foreign exchange activities, including but not limited to restriction on distribution of dividends to offshore shareholders.

Our PRC legal advisors, JunHe LLP, have advised us that those shareholders holding the interests of WMVL indirectly and subject to the requirement on domestic resident about foreign exchange registration of offshore investments have completed such registration in accordance with SAFE Circular 75 in force then. Each of the other shareholders holding the interests of WMVL indirectly is not a PRC domestic resident and is therefore not subject to SAFE Circular 37.

M&A Rules

MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the State Administration for Industry & Commerce, the China Securities Regulatory Commission, and the SAFE jointly promulgated the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於國外投資者併購境內企業的規定》) (the "M&A Rules") on August 8, 2006, which came into effect on September 8, 2006 and amended by MOFCOM on June 22, 2009. Under the M&A Rules, (i) if any domestic company, enterprise or natural person merges or acquires its affiliated domestic companies in the name of the companies in foreign countries legally established or controlled by the aforesaid domestic companies, enterprises or natural persons, it shall be subject to the approval of MOFCOM, (ii) any overseas listing transactions of SPVs shall be approved by the Securities Regulatory Administration of the State Council, while SPVs refer to overseas companies controlled directly or indirectly by PRC domestic subsidiaries or natural persons for the purpose of realizing an overseas listing of the interest in PRC domestic subsidiaries that is actually owned by them.

Our PRC legal advisors, JunHe LLP, have advised us that (i) the entities involved in the Reorganization are all overseas companies and do not involve changes in the equity of PRC domestic subsidiaries, and (ii) the Reorganization does not involve related mergers or acquisitions or overseas listing transactions of SPVs, which does not require the approval from the China Securities Regulatory Commission, MOFCOM or any other Chinese government department.

OUR MISSION

Break boundaries through sports and inspire limitless possibilities.

We team up with brands and other partners in the world of sports to offer superior products and services by leveraging the power of technology. We are obsessed with creating boundless, positive, healthy and joyous life experiences inspired by sports.

OVERVIEW

We operate a consumer-centric sportswear retail and service platform in China based on our extensive nationwide retail network, which as of the Latest Practicable Date included 8,372 directly-operated stores located in 268 cities across 30 provinces of China and a further 1,957 stores operated by our downstream retailers. We are China's largest sportswear retailer in terms of estimated total retail-equivalent sales value (inclusive of VAT), with a 15.9% market share in China's sportswear retail market in 2018, according to Frost & Sullivan. Our directly-operated stores constituted China's most extensive directly-operated retail network for sportswear products at the end of 2018, according to Frost & Sullivan. Through our platform we sell the products of major international sports brands, and we have been the largest retail partner and customer in China of Nike and adidas during the Track Record Period, each in terms of wholesale value.

Our directly-operated stores attract more than two million visitors each day according to our estimates, allowing us to reach and build local relationships with consumers across China through our knowledgeable and passionate staff, leading to meaningful insights into consumers' preferences for sportswear products and services. Leveraging these consumer insights, we source a wide range of quality sportswear products from world-renowned brands, and we provide our customers with customized sportswear product and service recommendations, active consumer-centric social communities, valuable sports and lifestyle content sharing, and access to various sports activities.

In addition to serving Chinese consumers, we believe that we are a strategic partner of leading international sports brands, providing them with access to China's sportswear retail market and insights into Chinese consumers' shopping preferences and market trends. Our business creates immense value for our channels and other platform partners, which, in turn, strengthens our relationships with these partners and expands our sportswear retail and service platform.

We continuously deploy technical measures to optimize our operations and enhance our productivity and efficiency. As part of these efforts, in recent years, we have piloted a number of initiatives to digitally transform our operations. Our transformation initiatives focus on three primary areas: empowering our frontline staff to provide better consumer services and operate more efficiently; digitally enhancing our store operations to improve our product mix, store display and sales strategy; and optimizing our merchandise management to maintain optimal retail pricing and inventory levels. We believe these initiatives bring us unique benefits,

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including enhanced decision-making through data-driven analytical tools, consistent adoption of best practices across our nationwide network, swift implementation of strategic decisions, increased efficiency and reduced rate of errors.

Our revenue increased at a CAGR of 22.5% from RMB21,690.3 million for the year ended February 28, 2017 to RMB32,564.4 million for the year ended February 28, 2019; and our net profit increased at a CAGR of 29.2% from RMB1,317.3 million for the year ended February 28, 2017 to RMB2,199.8 million for the year ended February 28, 2019. Our revenue increased by 13.1% from RMB7,902.1 million for the three months ended May 31, 2018 to RMB8,937.1 million for the same period of 2019. Our net profit increased by 23.4% from RMB597.1 million for the three months ended May 31, 2018 to RMB736.7 million for the same period of 2019.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths have been critical to our success and will continue to position us for future growth:

The largest sportswear retailer in China with the most extensive and deeply penetrating directly-operated sportswear store network

We are the largest sportswear retailer in China in terms of estimated total retail-equivalent sales value (inclusive of VAT), with a 15.9% market share in China's sportswear retail market in 2018, according to Frost & Sullivan. We have been the largest retail partner and customer in China of Nike and adidas during the Track Record Period, each in terms of wholesale value. Our revenue for the year ended February 28, 2019 was RMB32.6 billion, and as of the Latest Practicable Date, we had a nationwide retail network consisting of 8,372 directly-operated stores located in 268 cities across 30 provinces of China and a further 1,957 stores operated by our downstream retailers. Our directly-operated stores constituted China's most extensive directly-operated retail network for sportswear products at the end of 2018, according to Frost & Sullivan.

We see our extensive physical store network as an indispensable asset. When shopping for sportswear products, in addition to aesthetic design, consumers focus on authenticity, fit and comfort, functionality, performance, and a pleasant shopping experience. The experience of consumers in our stores is further enriched by our passionate and knowledgeable frontline staff, who can help them navigate through large selections of SKUs and find the right products for their athletic and leisure needs. As a result, our store network is the irreplaceable foundation of our sportswear retail and service platform.

The fact that our stores are directly operated enables us to effectively manage our operations. Our store network is constantly monitored and systematically optimized with additions of new stores in carefully selected locations, upgrades of existing stores with high potential and closures of sub-optimal stores. Accurate pre-season product procurement down to the store level and real-time in-season inventory adjustments allow us to maximize retail

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pricing while keeping inventory at satisfactory levels. As a result, we have achieved a high level of operational productivity that resulted in an estimated average retail sales value (inclusive of VAT) per directly-operated store of RMB3.7 million in the year ended December 31, 2018, ranking the highest among the five largest sportswear retailers in China, according to Frost & Sullivan.

Our total revenue grew at 22.4% and 22.7% for the years ended February 28, 2018 and 2019 respectively, which, according to Frost & Sullivan, outpaced industry growth rates of 12.5% and 11.1% for calendar years 2017 and 2018, respectively. We believe that our large directly-operated sportswear network will continue to allow us to outperform in China's fast-growing sportswear market.

Continuous, wide-reaching and direct interactions with consumers leading to deep consumer insights and differentiated consumer services and experiences

We have been operating in China's sportswear retail sector for the last 20 years. Through our continuous, wide-reaching and direct interactions with consumers across China, we have accumulated in-depth knowledge of varying consumer preferences across China's different tiers of cities and regional markets. We select, train and retain a pool of frontline employees to engage with consumers on a daily basis. Led by store managers who on average had been with us for approximately 4.8 years as of May 31, 2019, these employees provide our consumers with consistent and quality shopping experiences, while at the same time acting as our touch points to observe and understand changes in consumer preferences. Our consumer interactions lead to but go beyond transactions in our stores. According to our estimates, more than two million consumers enter our directly-operated stores across China every day. Beyond our store network, we engage with consumers through our Topsports consumer chat groups and Topsports accounts established on popular social media platforms. Our principal Topsports social media account had over 14.8 million followers as of the Latest Practicable Date. Articles published on our principal Topsports social media account regularly receive more than 100,000 views (“十萬加”), a widely used popularity benchmark for China's social media content.

According to Frost & Sullivan, the average selling price for products of our Principal Brands is between RMB600 to RMB900, compared to the average selling price between RMB100 to RMB300 for all branded products in China's sportswear market. Given that products of the Principal Brands account for a substantial majority of our product portfolio, our retail network allows us to come into contact and engage with the more affluent segment of Chinese consumers, which is a core advantage of our retail and services platform. To maintain an active relationship with our consumers and cater to their various sports-related needs, we redesigned and relaunched our membership program in May 2018. As of the Latest Practicable Date, our membership program had approximately 22.0 million members. During the period from March 1, 2019 to the Latest Practicable Date, our members contributed 76.7% of our total in-store retail sales value (inclusive of VAT).

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Our consumer insight allows us to provide Chinese consumers with desired sportswear products and differentiated services. We frequently work with brand partners to make adjustments to existing products to ensure that they fit Chinese consumers' aesthetic preferences and physical requirements. We also proactively identify product designs, product lines, or even specific SKUs that in our view would likely be popular, and we work with our brand partners to bring them to the Chinese market. In addition, with our professional and passionate frontline staff and online engagement initiatives, we provide consumers with quality services both inside and outside of our stores. Through our Topsports consumer chat groups, we form active sports- and sportswear-themed social communities for consumers. In addition, consumers can gain access to a variety of sports and social activities, which in return allows us to connect them with other sports activity organizers and service providers.

Technology-enabled systemized retail operations resulting in best-in-class operational efficiency and productivity to drive future growth

Benefiting from our carefully selected store locations, product procurement driven by our consumer insights, and our systemized approach towards our operations, we believe that we have achieved industry-leading productivity and operational efficiency. Our average retail sales value per directly-operated store were RMB3.0 million, RMB3.3 million, RMB3.8 million and RMB1.0 million for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively. According to Frost & Sullivan, our estimated average retail sales value (inclusive of VAT) per directly-operated store was the highest among the five largest sportswear retailers in China in the year ended December 31, 2018. In addition, our highly efficient inventory management resulted in our inventory turnover days of only 103.6 days, 103.2 days, 103.5 days and 115.2 days, which we consider to be a key operating metric for our business, for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively. These turnover days are significantly lower than the industry average of 180 days, according to Frost & Sullivan.

As a seasoned player in China's sportswear retail industry, we have accumulated vast experience and industry know-how. More importantly, we have worked tirelessly to systemize our critical know-how for key aspects of our operations. As a result, our self-developed systems cover areas of operation including: management and optimization of our nationwide store network, pre-season procurement down to the individual store level, real-time inventory monitoring and adjustment, and real-time store-operation management. We have been committed to improving our product procurement management practice to ensure that our stores are well stocked and therefore we do not suffer any lost sales due to SKUs being unavailable. We believe our systemized approach brings us unique benefits, including enhanced decision-making through data-driven analytical tools, consistent adoption of best practices across our nationwide network, swift implementation of strategic decisions, increased efficiency and reduced rate of errors.

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Since the privatization of Belle International in 2017, we have embarked on a series of digital transformation initiatives to better serve our consumers and further enhance our operational productivity. In these initiatives, we have focused our efforts on applying technology to empower our frontline staff, digitally enhance our store operations and optimize our merchandise management:

- *Empowering Frontline Staff.* To enable our tens of thousands of well-trained frontline staff to provide better consumer service and operate more efficiently, our self-developed mobile digital toolkit equips them with real-time operating data and analytics, empowering them to take immediate action to enhance merchandise management, improve personnel and store performance, and streamline daily operational procedures.
- *Digitally Enhancing Store Operations.* Our store-level technology initiatives have allowed us to track and collect data that were previously inaccessible from our vast network of directly-operated stores. Smart-store systems installed in our pilot stores help us to monitor and track shopper profiles and in-store behavior patterns, giving us unprecedented insights, which aid us in making precise adjustments to our product mix, store displays and sales strategy.
- *Optimizing Merchandise Management.* Maintaining optimal retail pricing while keeping appropriate inventory levels is key to our business performance. Our proprietary procurement and merchandise management systems automatically generate pre-season store-level procurement orders and in-season replenishment alerts for popular SKUs, which optimizes our network-wide merchandise mix and ensures adequate stock levels in our stores. As more decision-influencing factors become available through our data collection, we continue to improve our procurement decision-engine and merchandise management systems.

Strategic partner for the world's leading sports brands

We are a strategic partner for a number of major international sportswear brands in the Chinese market. Having worked together for the last 20 years, we are currently Nike's second-largest retail partner and customer on a global basis. We are adidas' largest retail partner and customer globally, having had a strategic partnership with adidas for 15 years. Over the last two decades, we have provided continuous and stable support for the expansion of our brand partners in the Chinese market, resulting in their long-term business growth.

We were one of the pioneers for the mono-brand store format in China, which currently makes up the vast majority of our retail network. Mono-brand stores exclusively sell sportswear products for a specific brand, with the interior store design and layout conforming to that brand's global image. As such, we believe the mono-brand store format delivers the fullest brand-specific shopping experience to consumers. Beyond being a venue to sell sportswear products, the mono-brand store format helps our brand partners build and

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strengthen their brand images across China. In recognition of this and our capability to efficiently manage mono-brand stores, Nike and adidas have each partnered with us to pilot various Strategic Stores in China. Some of these Strategic Stores were the first of their type, even on a global basis.

The shared success of Topsports and our brand partners depends on our collective ability to bring sportswear products to Chinese consumers that cater to their evolving preferences. To achieve this, we maintain frequent dialogues with our brand partners to share our insights into the Chinese market, consumers and products. As of the Latest Practicable Date, we are the only retail partner in mainland China that regularly shares our insights into Chinese consumers and their product needs with Nike at their global headquarters level. We also maintain dialogues with our brand partners' Greater China management, providing them with continuous consumer feedback on their products and, from time to time, offering improvement suggestions on design details. Our feedback and suggestions have, on many occasions, helped our brand partners fine-tune their product designs, product lines and brand-positioning strategies.

We continuously evaluate our brand portfolio in order to bring Chinese consumers brands and products that meet their evolving needs. At the same time, we believe our proven track record has positioned us as the partner-of-choice for international sportswear brands to grow in the Chinese market. As of the Latest Practicable Date, we were working with 11 brands. Besides our two Principal Brands, we also work with Puma, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), Reebok, ASICS, Onitsuka Tiger and Skechers. These nine brands represent strong growth potential in China's sportswear retail market. For the year ended February 28, 2019, our revenue from sales of products of brands other than the Principal Brands amounted to RMB4,077.2 million, an increase of 46.5% compared with the prior year.

Highly motivated, experienced and visionary management team

Our senior management team members are seasoned professionals with in-depth understanding of China's sportswear retail market and over 20 years of industry experience on average. Their broad industry experience, innovative vision and strong execution capabilities have enabled us to build a proven track record of robust growth and profitability.

Mr. Yu Wu, our Chief Executive Officer, played a significant role in the establishment of our first brand partner relationship in 1999. As an industry veteran with over 27 years of experience in the footwear and sportswear retail industry, Mr. Yu has diligently and passionately led the strategic direction of our operations with the vision to bring the most desired sportswear products and services to Chinese consumers. Mr. Tian Zhong, our Vice President in charge of our mono-brand business line's operations, has more than 15 years of industry experience in the sportswear business. Mr. Zhang Qiang, our Vice President in charge of our corporate functions and innovation businesses, new retail format and e-Sports business, has more than 24 years of industry experience in the sportswear business. Prior to joining our

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Group, both Mr. Tian and Mr. Zhang held senior positions at Nike, where they led the brand's sales strategy and channel management in China. Mr. Chai Xiaoji, our Vice President in charge of our multi-brand business line and channel management, has 20 years of experience in the retail business.

OUR STRATEGIES

We plan to fulfill our mission by implementing the following strategies:

Accelerate Our Digital Transformation

We will continue to invest in technology initiatives, which allow us to collect and generate data that were previously unavailable, develop integrated operational systems to utilize our vast data resources, and upgrade our system to achieve enhanced system intelligence and automation. We are seeking continuous business transformation through technology enablement for our core capabilities and operating resources such as our frontline staff, store network and merchandise management processes.

Expand and Continuously Upgrade Our Store Network

We will further solidify our leading position in China's sportswear retail market by expanding and upgrading our nationwide directly-operated store network. We will collaborate closely with brand partners to identify attractive store opening opportunities to address untapped consumer demand in both existing and new cities. In addition to opening new stores, we will continuously optimize our directly-operated store network's structure by upgrading select existing stores and closing suboptimal stores. Our store upgrades will focus on expanding our existing stores that are located in premises with proven foot traffic and high sales potential. We also plan to continuously roll out digital initiatives nationwide and collaborate with our brand partners to open more Strategic Stores.

Drive Deeper Integration between Digital and Physical Consumer Engagement

Our extensive store network and frontline staff enable us to interact with estimated millions of local consumers on a daily basis. We have been continuously reshaping our consumer interaction in order to achieve seamless digital and physical consumer engagement. We plan to roll out our store-based consumer communities using popular social media platforms to applicable stores in our portfolio. We will recruit talent for consumer community management and member engagement, enhance our content generation capabilities to captivate consumer's interests and further develop toolkits to help our frontline staff better serve our consumers. We will continue to enrich our membership program to increase our member base and loyalty by offering attractive benefits in respect of products, services and activities. We also intend to strengthen other consumer outreach efforts such as our e-sports club and our editorial content curation in order to build deeper relationships with our consumers.

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Expand Our Brand Offerings and Deepen Collaboration with Brand Partners

We will constantly seek and evaluate opportunities to partner with new brands whose product offerings have significant market potential and are complementary to our existing portfolio. To further deepen our collaboration with brand partners, we will share our in-depth understanding of market trends and evolving customer preferences with brand partners to help them better execute brand partners' strategies and business ideas in achieving long-term business growth.

Continue to Attract, Develop and Retain High-Caliber Employees

We will continue to invest in recruiting and training our staff to meet and exceed the level of services that our customers expect when shopping in our stores. We focus on the personal career development of our employees and will continue to enhance our career development and retention programs to better help our employees achieve their career goals. In addition, we will invest in new talents who are critical to our digitalization and new retail strategies.

Further Enrich Our Consumer-Centric Platform Offerings

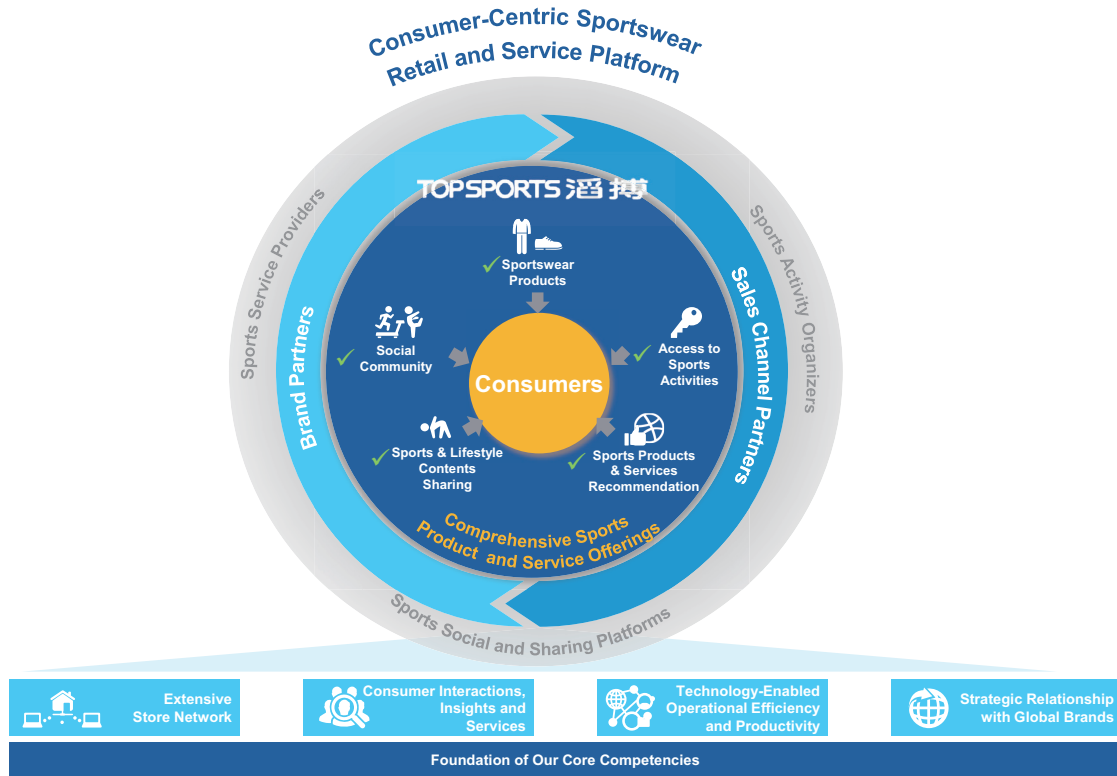
We will continue to enrich our consumer-centric sportswear retail and service platform offerings. We aspire to further deepen the collaboration with our different platform participants and to explore business opportunities, such as products and services related to e-Sports. In addition, we will work with select high-quality sporting activity organizers, sports service providers and sports social and sharing platforms to provide more diversified value-added services, events and activities, member privileges and tailor-made content to our customers.

OUR BUSINESS MODEL

We operate a consumer-centric sportswear retail and service platform in China. We use our extensive nationwide store network to reach and build local relationships with consumers across the country. These relationships allow us to maintain extensive, continuous, and direct interactions with consumers, which provide us with meaningful insights into their preferences for sportswear products and services. Leveraging these consumer insights, we provide Chinese consumers with comprehensive sportswear products and services, including a wide range of quality sportswear products from world-renowned brands, customized sportswear product and service recommendations, active sports-themed social communities, valuable sports and lifestyle content sharing, and access to various sports activities. Through our nationwide directly-operated store network and powered by our in-depth consumer insights, we aim to offer consumers a differentiated shopping experience. In addition to serving Chinese consumers, we believe our business creates immense value for our brand partners, our sales channel partners and our other platform partners. This value creation, in turn, deepens our strategic relationships with these partners. Together, we operate a vibrant sportswear retail and service platform centered on the consumers, and we expect to continuously strengthen and expand our scalable platform by including new brands, channels and other platform partners.

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The following diagram illustrates our consumer-centric sportswear retail and service platform:



OUR SPORTSWEAR RETAIL AND SERVICE PLATFORM

Our sportswear retail and service platform is built on the solid foundation of our nationwide directly-operated store network. Relying on our carefully-selected store locations and our passionate and knowledgeable staff, this network attracts millions of visitors each day, allowing us to engage in continuous, wide-reaching and direct interactions with consumers across China. In addition to our physical store network, we have developed a variety of media to reach out to consumers who may not have visited our stores, and piloted new services to match their evolving interests, including our membership program, our store-based consumer communities, our Topsports social media accounts and our e-Sports-related initiatives. To supplement our directly-operated store network, we have developed other sales channels, including downstream retailers and our online shops.

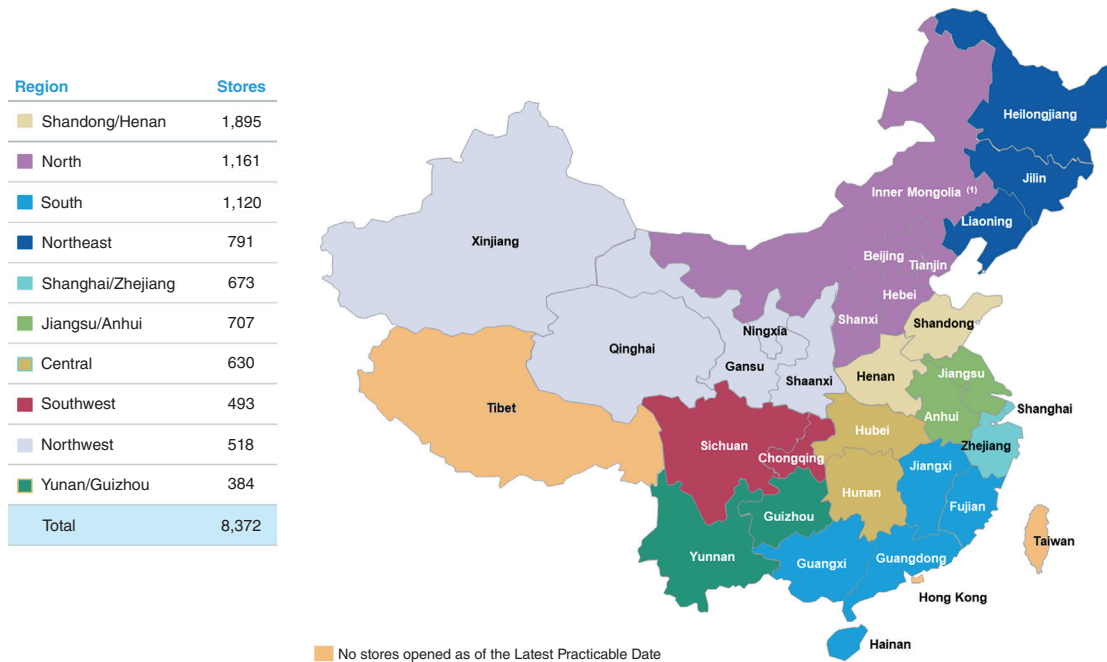
Our Extensive Nationwide Directly-Operated Store Network

When shopping for sportswear products, consumers focus on aesthetic design, authenticity, fit and comfort, functionality, performance, and an enjoyable shopping experience. In addition, our passionate and knowledgeable store staff further enrich our consumers' shopping experiences by helping them navigate through large selections of SKUs

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and find the right products for their athletic and leisure needs. As a result, our nationwide directly-operated store network is our most valuable asset and the irreplaceable foundation of our sportswear retail and service platform.

The map below shows the geographic coverage of our directly-operated stores as of the Latest Practicable Date:



Note: Inner Mongolia is categorized as North region except for Hulun Buir, which is categorized as Northeast region.

We are a pioneer for the mono-brand store format in China, and as of the Latest Practicable Date, 99.3% of our 8,372 directly-operated stores were mono-brand stores. We operate these stores under the brand name of the sportswear products being sold. Mono-brand stores are China's primary retail format for branded sportswear products, which differs from major developed economies, where multi-brand stores constitute the majority of sportswear retail outlets, according to Frost & Sullivan. As mono-brand stores exclusively sell sportswear products for a specific brand and use the interior store design and layout that conform to that brand's global image, we believe that mono-brand stores deliver consumers the fullest brand-specific shopping experience. This unique advantage of the mono-brand store format, when combined with our extensive nationwide network of stores that are located in carefully-chosen locations, provides a powerful medium for international sportswear brands to build their presence and brand image in China. In addition, we have collaborated with our brand partners and opened a number of Strategic Stores in China. These Strategic Stores offer more diversified product portfolios than typical mono-brand stores, and they are designed to serve as key shopping destinations for Chinese consumers and enhance brand image.

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Our mono-brand stores are different from the stores directly operated by our brand partners and the mono-brand stores operated by other sportswear retailers. While certain of our brand partners also directly operate a limited number of offline stores in China, according to Frost & Sullivan, the main purposes of these stores are to promote their brand images or to sell obsolete inventory through their own factory outlets. In addition, the brands' self-operated stores are typically located in tier-one and tier-two cities, while our store network is nationwide. For more details of these brand-operated stores, see "Industry Overview—Overview of China's Sports Footwear and Apparel Retail Market—Retail Operations of Global Sports Brands in China." Compared to other sportswear retailers' mono-brand stores, many of which are franchise stores according to Frost & Sullivan, we directly operate our mono-brand stores, which enables us to effectively manage our operations and promote consumers' shopping experiences and loyalty. We select, train and retain a pool of frontline staff to engage with consumers on a daily basis. Led by store managers who on average had been with us for approximately 4.8 years as of May 31, 2019, our frontline staff provide our consumers with consistent and quality shopping experiences. The fact that our stores are directly operated also allows us to deploy initiatives such as our membership program, store-based consumer communities and other consumer outreach efforts on social media, and our digital transformation initiatives, which are all aimed at differentiating and improving consumers' shopping experiences both inside and beyond our stores. For our new initiatives, please refer to "—Our Membership Program," "—Our Store-Based Consumer Communities," "—Our Multi-Faceted Consumer Outreach Efforts" and "—Our Digital Transformation Initiatives."

In addition to mono-brand stores, we also operate multi-brand stores under our own store brand names, primarily including "Topsports" and "Foss." Our Foss stores primarily sell fashionable streetwear products sourced from our brand partners. From time to time, we also set up temporary stores for themed promotions or discount sales of obsolete inventory.

We operate Sports Cities which combine sportswear stores of different brands and operators in a centralized location, rather than being scattered in different levels and locations within a department store or shopping mall. Most of the sportswear stores within our Sports Cities are operated by us directly, while the rest are operated by Independent Third Parties. For these third-party-operated stores, we charge either fixed or variable concessionaire fees calculated as percentages of sales.

We constantly look for attractive locations for new stores, and we seek to prudently expand the depth and breadth of our network. We also close suboptimal stores every year. In general, our new stores are larger in size than those we close. In particular, during the year ended February 28, 2019 and the quarter ending May 31, 2019, we undertook a systematic network review and closed low-productivity and under-performing stores to optimize our store base. During the year ended February 28, 2019 and the quarter ended May 31, 2019, we closed 1,374 and 268 stores, respectively. As of the Latest Practicable Date, we had substantially completed our implementation of this plan. See "—Our Management of Store Operations—Store Openings, Closures and Upgrades—Openings and Closures" for more information on our reasons for closing stores. Although these closures had a short-term adverse

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impact on our revenue growth, we believe that our closing of these under-performing stores can have a positive effect on our profitability and ultimately improve our competitiveness in the long run. Moreover, we continuously optimize our network's structure by upgrading stores with high sales potential. As our principal approach to store upgrading, we increase the size of a store by leasing more space adjacent to an existing store whenever possible. We also invest in the interior decor and display of existing stores to add to consumer appeal.

The following table sets forth the changes in the number of our stores during the Track Record Period:

	Year ended February 28,			Three months ended	
	2017	2018	2019	May 31, 2018	2019
<i>Number of stores</i>					
At the beginning of the period	6,984	7,605	8,302	8,302	8,343
Opening of new stores	1,438	1,639	1,415	474	139
Closure of stores	<u>(817)</u>	<u>(942)</u>	<u>(1,374)</u>	<u>(187)</u>	<u>(268)</u>
Net increase in the number of stores	<u>621</u>	<u>697</u>	<u>41</u>	<u>287</u>	<u>(129)</u>
At the end of the period	<u><u>7,605</u></u>	<u><u>8,302</u></u>	<u><u>8,343</u></u>	<u><u>8,589</u></u>	<u><u>8,214</u></u>

The following table sets forth the numbers and percentages of our stores by size as of the dates indicated.

	As of February 28,						As of May 31,			
	2017		2018		2019		2018		2019	
	%	%	%	%	%	%	%	%	%	
<i>Store size:</i>										
150 sq.m or smaller	5,918	77.8	6,268	75.5	5,947	71.3	6,286	73.2	5,726	69.7
Between 150 and 300 sq.m	1,487	19.6	1,779	21.4	1,978	23.7	1,887	22.0	1,999	24.3
Larger than 300 sq.m	<u>200</u>	<u>2.6</u>	<u>255</u>	<u>3.1</u>	<u>418</u>	<u>5.0</u>	<u>416</u>	<u>4.8</u>	<u>489</u>	<u>6.0</u>
Total	<u><u>7,605</u></u>	<u><u>100.0</u></u>	<u><u>8,302</u></u>	<u><u>100.0</u></u>	<u><u>8,343</u></u>	<u><u>100.0</u></u>	<u><u>8,589</u></u>	<u><u>100.0</u></u>	<u><u>8,214</u></u>	<u><u>100.0</u></u>

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	Year ended February 28,		From May 31,		Period from
	2017	2018	2019	2018 to May	February 28,
				31, 2019	2019 to the
					Latest
					Practicable
					Date
Growth rate of Gross Selling Area of our stores	<u>13.0%</u>	<u>11.4%</u>	<u>9.3%</u>	<u>2.4%</u>	<u>5.3%</u>

As of the Latest Practicable Date, we had 8,372 directly-operated stores. As our larger stores generally have more diversified product portfolios and higher staffing levels to provide a better shopping experience, these stores usually achieve higher single-store sales among all our stores. In addition, we have collaborated with our brand partners in piloting the Strategic Store formats. For details of our Strategic Stores, see “—Case Study: Strategic Stores” below. For details of our store openings, closures and upgrades, see “—Our Management of Store Operations—Store Openings, Closures and Upgrades.” Our Gross Selling Area growth rate was relatively low from May 31, 2018 to May 31, 2019, primarily due to a net decrease of 375 stores during this period. In particular, we had a net increase of 287 stores during the three months ended May 31, 2018 as opposed a net decrease of 129 stores in the three months ended May 31, 2019, as we strategically closed certain low-productivity and under-performing stores. Our average retail sales value (inclusive of VAT) per directly-operated store grew steadily throughout the Track Record Period as indicated in the following table.

	For the year ended February 28,			For the three
	2017	2018	2019	months ended
				May 31,
				2019
Average retail sales value (inclusive of VAT) per directly-operated store	<u>3.0</u>	<u>3.3</u>	<u>3.8</u>	<u>1.0</u>

(RMB in millions)

We view the average retail sales value (inclusive of VAT) per directly-operated store as a key operating metric as it encapsulates both growth from our existing stores as well as growth arising from our store opening and upgrading strategies.

The time it takes for a store directly operated by us to reach the “breakeven point” or the “investment payback point” (both as defined below) is affected by a number of factors, such as the size and location of the store, the brands it sells, economic and other conditions

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(including the competitive landscape) in the local market, changes in consumption patterns, and capital expenditures for securing the location for and opening of the store. Those periods can vary substantially from store to store and over time.

Since the beginning of our last audited financial year, it generally took our new stores:

- (a) approximately three months to reach the “breakeven point” (being the first point in time at which its monthly revenue exceeds its monthly operating expenses, primarily including cost of goods sold, concessionaire and lease expenses, staff costs, depreciation expenses and tax expenses); and
- (b) approximately 16 months to reach the “investment payback point” (being the first point in time at which the upfront cost of opening and operating the store is exceeded by the amount of accumulated operating profit of that store, where operating profit is calculated as revenue less cost of goods sold and other store related operating expenses, primarily including concessionaire or lease expenses and staff costs but excluding depreciation expenses).

Case Study: Strategic Stores

In an effort to push the existing boundaries of sportswear retail formats in China and to further enhance consumers’ shopping experiences, we have worked with our brand partners and began opening Strategic Stores in select locations in 2016. This initiative seeks to deliver the most impactful branded shopping experience in locations with the highest anticipated consumer traffic, thereby achieving success from both a branding and a commercial perspective. Our Strategic Stores differentiate themselves in the following ways:

Positioning. Our Strategic Stores are generally designed to meet the standards of our brand partners’ own flagship stores. These Strategic Stores are located in carefully selected commercial districts and are generally larger in size compared to our other stores. Strategic Stores carry a larger selection of SKUs and have a more immersive interior ambience.

Operations. We have created dedicated store-based operation teams for most of our Strategic Stores. These operation teams are responsible for those Strategic Stores’ day-to-day management such as product display, inventory management and in-store promotions. Combined with our professional and talented frontline team, our dedicated operation teams allow us to maximize the efficiency and productivity of each Strategic Store.

Special Events. Our Strategic Stores are frequently used as marketing event venues, which increases consumers’ awareness of these stores, their engagement with our brand partners and our interactions with our members. For example, we organized a fan event in one of our Strategic Stores in Beijing in July 2018, allowing in-person interactions with an international football star.

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Incubator for New Initiatives and Talent. We have used our Strategic Stores to pilot a number of new initiatives in our Strategic Stores to accelerate the transformation of our business. These initiatives include our frontline staff empowerment toolkit and store-based social communities on popular social media platforms, both of which have been successful in our Strategic Stores. Through our implementation of these initiatives, our Strategic Stores have become our “Operational Excellence Centers.” Once these initiatives are tested in our Strategic Stores, we can roll them out to other stores in our network. The Strategic Stores also allow us to train a pool of talent for future expansion.

Since we introduced our first Strategic Store format in 2016, the performance of this store format has proven to be a commercial success, beyond the benefits mentioned above. As an example of our success with Strategic Store formats, we were the Nike retail partner that operated the most Nike BEACON stores (one of Nike’s premium store classifications) in mainland China as of February 28, 2019. In addition, we operated not only the first adidas Sportswear Collective (“SWC”) store operated by adidas’ retail partner in China, but also the most adidas stores of the highest classification in this area as of February 28, 2019. Furthermore, one of our adidas mono-brand stores won the award of “China’s Annual Sales Champion Store Operated by Retail Partner” in 2018.

In addition to Strategic Stores, we strive to create other new retail formats and scenarios to engage with consumers. While our mono-brand stores allow us to serve consumers seeking a brand-specific shopping experience, we believe that there are more ways to engage with consumers who are attracted by a specific sports theme rather than by a brand. With this belief, we, by the license of NBA China, opened an NBA flagship store in Beijing, China, as described in the following case study.

Case Study: NBA Beijing Flagship Store

In April 2019, we worked with NBA China and opened the largest NBA store outside of North America in Beijing (“**NBA Beijing Flagship Store**”). The NBA Beijing Flagship Store covers an area of more than 1,000 square meters. In addition to offering officially-licensed NBA products manufactured by more than ten different brands, this store also creates the extraordinary NBA fan experience through ingenious in-store design and various store-based activities.

The opening of the NBA Beijing Flagship Store represents our effort in creating a new sports-themed store format, and it showcases the recognition of our retail operational capabilities by globally renowned sports intellectual property owners. In terms of product offering, we leverage powerful brand resources to offer multiple categories of NBA-licensed products in the NBA Beijing Flagship Store. In addition, we have launched a variety of in-store NBA-themed activities in an effort to make it an important social venue for NBA fans:

- ***One-Stop Shopping Destination for NBA Fans:*** NBA China offers a wide variety of officially-licensed products, which are manufactured and distributed by various brands that specialize in different product segments. We strive to meet NBA-related shopping needs in the NBA Beijing Flagship Store. In addition to the officially-licensed basketball jerseys and the same types of sneakers and equipment worn and used by NBA players, we also provide consumers with other NBA-related products that Chinese NBA fans seek but previously had limited access to, including Hardwood Classics jerseys, official NBA basketballs, player cards, figurines, and offline NBA product customization service.
- ***NBA Culture Shrine:*** We are also committed to building the NBA Beijing Flagship Store into an NBA culture shrine for Chinese NBA fans. To this end, we have designated certain areas in the NBA Beijing Flagship Store for the display of basketball jerseys, footwear and posters autographed by famous NBA stars, and we plan to organize, from time to time, NBA-themed exhibitions and NBA official events in the NBA Beijing Flagship Store.
- ***Basketball Culture Community:*** The NBA Beijing Flagship Store is also an offline gathering place for NBA fans. Through organizing various activities, including special fan events and face-to-face meetings with NBA stars, we have attracted and engaged an increasing number of NBA fans to the NBA Beijing Flagship Store. During the Track Record Period, we organized a variety of events including meetings with NBA stars and game viewing parties in the NBA Beijing Flagship Store.

The opening of the NBA Beijing Flagship Store highlights our ability to accurately capture Chinese sportswear consumers' needs while creating a multi-dimensional shopping experience that transcends products themselves.

Within several months since its opening, the NBA Beijing Flagship Store has not only proved its significant commercial value, but has also been quickly and well received by our consumers.

Our Membership Program

Through our "TopFans" membership program, which was initially launched in 2016, we have extended our philosophy of serving consumers beyond our physical store network. We redesigned and relaunched our membership program in May 2018 to offer our loyal members a wider variety of benefits in terms of products, services and activities. Through our membership program, we seek to maintain active relationships with our consumers and cater to their various sports-related needs.

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- *Products.* Members can receive membership discounts on their purchases, and they earn reward points for each qualified purchase. They can redeem their reward points for goods at our online reward points mall or, in certain cases, for cash rebates. Depending on their membership level, members can also participate in our raffle events to win first-purchase priority for limited-edition sportswear products and have priority in ordering newly launched products.
- *Services.* We provide members with ancillary services that cater to their sports-related needs. Popular ancillary services we offer include free professional sneaker care services, which have been well received by consumers of highly sought-after sneakers, and free same-city courier services for sportswear products purchases. Where available, we also recommend local sports training services to our members by offering them free trial lessons provided by our platform partners. These curated recommendations not only provide our members with quality training services but also help our platform partners acquire new customers.
- *Activities.* We use our membership program to connect members with various types of platform partners, and we furnish them with a wide variety of sports and social activities. Examples of these activities include providing our members with access to popular sports events such as the Shanghai International Marathon; arranging fan events for members to meet sports celebrities at our stores; holding raffle events for members to win tickets to concerts and e-Sports games; and organizing members' participation in social activities such as tree-planting programs.

As of the Latest Practicable Date, we had approximately 22.0 million enrolled members. The following table sets forth the cumulative number of our enrolled members as of the dates indicated and the number of active purchasing members for the periods indicated.

	As of and for the three months ended			
	August 31, 2018	November 30, 2018	February 28, 2019	May 31, 2019
	<i>(in millions)</i>			
Cumulative number of our enrolled members	10.2	11.9	14.2	17.4
Number of active purchasing members ⁽¹⁾	2.5	2.6	3.5	5.1

Note:

(1) Includes members who made one or more purchases during the period.

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Customers can register for our standard membership program for free, and we categorize our members into four levels based on their annual purchases: regular, gold, black and diamond members. The higher a member's level, the more benefits he or she enjoys, including higher purchase-to-reward-point conversion ratios, more vouchers and privileges such as tickets to major sporting and e-Sports events. As a pilot initiative, we launched a paid premium membership program in Wuhan in 2018. In this pilot program, our members can pay RMB199 to RMB999 per year (depending on their membership level) for this premium membership to enjoy the highest level of membership benefits. The following table provides a breakdown of members by level as of the Latest Practicable Date, among which 3,485 were premium members.

	As of the Latest Practicable Date	
	<i>Number of members</i>	<i>%</i>
Regular members	17,463,791	79.3
Gold members	4,063,474	18.4
Black members	317,283	1.4
Diamond members	188,019	0.9
Total	22,032,567	100.0

We believe that by offering services and other benefits to our loyal consumers, our membership program has made substantial and increasing contributions to our revenue growth since its relaunch. Our members contributed 36.6%, 41.5%, 52.3% and 70.8% of our total in-store retail sales value (inclusive of VAT) for the quarters ended in August 31 and November 30, 2018 and February 28 and May 31, 2019, respectively.

Our Store-Based Consumer Communities

Our extensive store network and frontline staff provide us with opportunities to interact with millions of local consumers on a daily basis. To expand such interactions beyond our brick-and-mortar stores, we have been building store-based consumer communities using popular social media platforms since 2018. We operate these store-based consumer communities to achieve the following goals: (i) to allow our stores and frontline staff to play pivotal roles in consumer engagement on a personal level; (ii) to create effective online contact points to extend consumers' shopping journey beyond our brick-and-mortar stores; (iii) to create closely-knit communities among our like-minded consumers who interact and socialize with each other, increasing their affinity for our platform; and (iv) to enable our frontline staff to maintain dynamic, frequent two-way dialogue with consumers in their geographic vicinity, which, in turn, improves our insights into consumers' needs and preferences.

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To serve these goals, our frontline staff have created store-level consumer chat groups and store-level social media accounts. They encourage store visitors to join these online chat groups and/or follow these store-level accounts. Our frontline staff use these chat groups to initiate topic-driven discussions to captivate consumers' interest and increase their out-of-store engagement. In addition to general store-based groups, our frontline staff form interest-based chat groups for consumers with similar interests to support in-depth discussions about particular sports, brands and products. Beyond consumer engagement, we also use these groups to provide customer services regardless of time and place.

To enhance our consumers' engagement, our frontline staff, from time to time, produce online sports- and lifestyle-related content and push this content through our store-based consumer chat groups and/or our store-level social media accounts. This online content typically includes items such as new product unboxing and review videos and feature articles based on our frontline staff's personal experiences about particular sports and products. In addition to content sharing, our frontline staff organize sports and social activities such as basketball and football games, jogging, hiking and in-store product launch events. These activities attract them to visit our stores regularly.

To facilitate the production and sharing of online content, we have developed our Store Mini-Programs, which allow our frontline staff to conveniently transmit online content between our store-based consumer chat groups and store-level social media accounts. We have successfully connected our stores' systems with the online shopping functions of our "Store Mini-Programs". This connectivity further improves consumer experience by allowing consumers to place orders with their store of choice through that store's consumer chat group. Furthermore, our Store Mini-Programs have made it possible for consumers to participate in our new product presales, limited-time offerings and raffle events through their mobile devices.

Our store-level managers (together with designated frontline staff) and our headquarter-level and regional marketing staff are primarily responsible for maintaining the quality of the content delivered through our store-based and interest-based consumer chat groups, respectively. They have the authority to delete any improper content posted in the chat groups using our store-level social media accounts, and to remove any person who does not follow our chat content rules out of the chat groups. In addition, our store-level and regional managers oversee the customer services that our frontline staff provide through our store-level social media accounts to ensure the consistent delivery of a high-quality service.

Our Multi-faceted Consumer Outreach Efforts

In addition to engaging and maintaining consumer relationships through our membership program and store-based consumer communities, we have been actively exploring new ways to reach out to potential consumers, who may not have visited our stores, and piloting new value-added services to match consumers' evolving interests. We believe this is a crucial step in expanding our consumer engagement and therefore, vital to our competitiveness.

In 2013, we began operating our principal Topsports social media account to attract and serve an audience beyond those who have visited our stores. We use this account to circulate carefully-curated editorial content to our followers. As a testament of the quality and popularity of our content, this account had over 14.8 million followers as of the Latest Practicable Date. Articles published by our principal Topsports account regularly receive more than 100,000 views (“十萬加”), a widely used popularity benchmark for China’s social media content.

To engage with China’s rapidly expanding e-Sports population, we established our e-Sports club—“Top eSports”—in 2017 and acquired permanent league franchise rights in the League of Legends Professional League (“**LPL**”) and the Honor of Kings Professional League (“**KPL**”) in December 2017 and August 2018, respectively. In addition to LPL and KPL, our e-Sports club has participated in competitions of other popular online games, such as PlayerUnknown’s Battlegrounds (“**PUBG**”). Our Top eSports teams placed second in the 2018 National Electronic Sports Tournament and fourth in the LPL 2019 Spring Season and won the world championship in the 2019 PUBG Mobile Club Open tournament. Relying on their outstanding performance in LPL, KPL and PUBG competitions, our Top eSports has built a vast and active fan base in China. Our Top eSports Weibo account created in December 2017 had over 590 thousand followers as of the Latest Practicable Date, ranking among the top 30 Weibo gaming-content accounts in terms of monthly views during the first five months of 2019. We use our Weibo account to produce and push engaging e-Sports-related content to our followers, offer them opportunities to directly interact with the members of our Top eSports teams, and provide access to live broadcasts of our teams’ e-Sports games. As of the Latest Practicable Date, cumulative views of live broadcasts and recorded videos posted on these social media platforms exceeded 118 million. We believe our efforts into e-Sports will allow us to tap into China’s e-Sports population and eventually bring them our platform’s product and service offerings. We also intend to collaborate with our brand partners to develop diverse ancillary products to boost our sales.

Our Other Sales Channels

To further expand the reach of our business, we use downstream retailers to distribute sportswear products that we source from our brand partners. As of the Latest Practicable Date, we had 1,103 downstream retailers who collectively operated 1,957 physical stores across China, including two online downstream retailers, each of which operated its own online retail platform. For details of our management of downstream retailers, see “—Our Management of Downstream Retailers.” In addition, we operate our own online shops on certain of China’s online retail platforms to supplement our physical retail network. Under our contracts with the operators of these online retail platforms, the operators are typically required to provide us with the necessary software systems and related technical support for us to conduct business on their platforms. Our online shops are subject to the operator’s general administrative procedures, such as their right to examine from time to time the sources and authenticity of the products we sell on their platforms. We primarily pay software service fees to the platform operators, which are generally calculated as fixed service fees plus a percentage of transaction

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values. We are also typically required to pay deposits to ensure our compliance with the respective rules of each platform operator. These deposits are refunded to us upon termination of the contracts after deducting any applicable penalties.

OUR BRAND PORTFOLIO AND SUPPLIERS

Our Brand Portfolio

As a consumer-centric sportswear retail and service platform, we believe that maintaining a portfolio of leading sportswear brands is crucial to our success. To appeal to China's consumer demographics across age, gender, sports interests and income levels, we have successfully built a diverse portfolio of highly recognizable international sportswear brands, which allow us to offer a wide range of sportswear products targeting different customers. As of the Latest Practicable Date, our brand portfolio primarily included Nike, adidas, Puma, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), Reebok, ASICS, Onitsuka Tiger and Skechers. Among these brands, the Principal Brands—Nike and adidas—are our two largest brands in terms of both sales revenue contribution and depth of collaboration. We rely on our Principal Brands to supply us with a majority of the products that we sell. For the years ended February 2017, 2018 and 2019 and the three months ended May 31, 2019, our sale of products procured from the Principal Brands contributed 90.0%, 89.4%, 87.4% and 88.8% of our total revenue from sale of goods. See "Risk Factors—Risks Relating to Our Business and Industry—If we fail to maintain good relationships or renew our retail agreements with our brand partners, our profitability and business prospects may be materially and adversely affected." We continuously evaluate our brand portfolio to consider new brands that suit Chinese consumers' needs and preferences.

The following table sets forth a breakdown of our revenue from sale of goods by brand category for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	<i>(in millions, except for percentages)</i>									
	<i>(Unaudited)</i>									
Principal Brands	19,345.8	90.0	23,537.7	89.4	28,253.4	87.4	7,094.0	90.5	7,871.5	88.8
Other brands	2,152.6	10.0	2,783.1	10.6	4,077.2	12.6	746.2	9.5	988.3	11.2
Total revenue from sale of goods	21,498.4	100.0	26,320.8	100.0	32,330.6	100.0	7,840.2	100.0	8,859.8	100.0

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Our Brand Relationships

We have long-term strategic relationships with Nike and adidas of 20 years and 15 years, respectively. The following tables set out significant milestones in our respective relationships with them.

Year	Milestones in Our Relationship with Nike
1999	We started our business relationship with Nike and opened our first Nike mono-brand store in China.
2004	We became Nike's largest retail partner in China in terms of wholesale value.
2007	We opened the first retail-partner-operated Nike basketball-themed store in China.
2008	We were the second largest retail partner of Nike globally in terms of wholesale value.
2013	We and Nike launched the new retail format initiatives known as the consumer-led concepts initiatives ("CLC") in China.
2016	We coordinated with Nike in opening China's first Nike Factory Store Partner ("NFSP") factory outlet.

Year	Milestones in Our Relationship with adidas
2004	We started our business relationship with adidas.
2009	The number of our adidas mono-brand stores exceeded 1,000, and we started selling adidas' exclusive models of running shoes.
2010	We became the largest retail partner of adidas in China in terms of wholesale value.
2012	We became the largest retail partner of adidas globally in terms of wholesale value.
2016	We coordinated with adidas in opening the first adidas factory outlet in China.
2018	One of our adidas mono-brand stores recorded the highest monthly single store sales among all adidas' retail-partner-operated mono-brand stores in China. And we also opened first SWC store in China.

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We have grown together with our Principal Brands in China. Over the years, we have contributed to the continuous expansion of these two brands' footprints in China and their success as the best-selling international brands in China's sportswear market according to Frost & Sullivan. As of the Latest Practicable Date, in aggregate we operated 6,663 mono-brand stores for our Principal Brands in China, accounting for 80.1% of the total of our mono-brand stores as of the same date. With our continuous efforts, we have developed these mono-brand stores into key locations for shopping and brand image enhancement. We also collaborated with the Principal Brands in pioneering Strategic Store formats in China. For details of these Strategic Stores, see “—Our Sportswear Retail and Service Platform—Case Study: Strategic Stores.”

In addition to the Principal Brands, we are a retailer of nine other international sportswear brands including Puma, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), Reebok, ASICS, Onitsuka Tiger and Skechers as of the Latest Practicable Date. The following table sets forth the starting year of our relationship with each of these brands.

Name of Brand	Starting Year of Brand Relationship
Puma	2006
Converse	2007
Vans	2013
The North Face	2015
Timberland	2015
ASICS	2015
Onitsuka Tiger	2015
Reebok	2016
Skechers	2018

With our valuable consumer knowledge and insight, our brand partners can design and produce better products for the China market, which in turn leads to our shared success. Therefore, we regularly engage with our brand partners at their global headquarters-level to share our observations on the latest macro-market trends. We also maintain dialogues with our brand partners' Greater China management, providing them with consumer feedback on their products and, from time to time, offering improvement suggestions on design details. We believe our feedback and suggestions have, on many occasions, helped our brand partners fine-tune their product designs, product lines and brand-positioning strategies.

We believe our value for our brand partners goes beyond the distribution of their sportswear products and sharing of consumer and market intelligence. For certain of our brand partners, we have been able to improve their entire China strategy, including brand positioning and marketing, product and store design and retail pricing.

Our Supply Agreements

Our supply agreements primarily consist of our retail agreements with our brand partners. Under these agreements, we agree to purchase sportswear products from our brand partners for resale to consumers, and/or for distribution to downstream retailers. For details of our retail arrangements with downstream retailers, see “—Our Management of Downstream Retailers.” For most of our retail agreements, we act as the brand partners’ non-exclusive retailer in China for a specified period of time. We have the discretion to determine the SKUs and quantity of products we purchase from the brand partners under these retail agreements. We typically place orders for sportswear products from the brand partners six to nine months prior to the target season, and we are contractually obligated to accept product deliveries (except for defective products), regardless of changing economic and market conditions at the time of delivery. The lengthy lead times for our orders require us to have a deep understanding of consumer preferences and strong capabilities in accurately forecasting market demand to avoid ineffective procurement.

We are subject to our brand partners’ control over certain aspects of our business operations, primarily in accordance with our retail agreements. Please also see “—Our Management of Store Operations—Store Openings, Closures and Upgrades—Openings and Closures” for more information on our brand partners’ control over our store openings. The following table sets out the principal provisions of our existing retail agreements, which were entered into between us and PRC entities of our brand partners:

<i>Duration</i>	Our retail agreements usually have a term from one to five years and are typically renewable upon mutual agreement. For one of our retail agreements, the term is automatically extended for so long as any store authorized pursuant to its terms remains in effect.
<i>Designated stores and channels</i>	Our retail agreements typically provide that we can only sell the relevant brand partners’ products in stores and channels as approved by them.
<i>Exclusivity</i>	We are typically authorized to sell the brand partners’ products on a non-exclusive basis.
<i>Pricing policy</i>	We purchase products from brand partners on a wholesale basis at a discount to MSRPs. While brand partners typically set uniform nationwide MSRPs for their products for all their distributors and their self-operated stores, we have the ultimate discretion in deciding the discounts to MSRPs at which we sell these products.

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<i>Sales targets and minimum procurement requirements</i>	Some of our retail agreements provide annual sales targets or annual minimum procurement requirements. If we fail to meet these targets or requirements, the corresponding brand company may adjust the wholesale price for our subsequent procurements from them, limit our ability to open new stores, diminish their supply of products to us or terminate the agreement, depending on the relevant retail agreement. Certain brand partners also offer us rebates to wholesale pricing if annual sales targets are met.
<i>Delivery</i>	Products are generally delivered to us at designated locations at the brand partners' cost, after which we are responsible for providing sufficient storage capacity and logistics and distribution of the products.
<i>Title and risk transfer</i>	Depending on the relevant retail agreement, title to products and legal risks typically pass to us when the products are delivered.
<i>Payment terms</i>	Our purchases typically have credit periods up to 30 days, settled in RMB via wire transfers.
<i>Return or exchange of products</i>	We are allowed to return or exchange defective products.
<i>Termination</i>	Our retail agreements may be terminated upon mutual agreement or by either party in case of <i>force majeure</i> or the other party's insolvency, bankruptcy or liquidation. In addition, the brand partners may unilaterally terminate the agreements if we fail to perform any of our material obligations under the agreements or we breach any other obligation thereunder and fail to rectify that breach within a prescribed period.

OUR DIGITAL TRANSFORMATION INITIATIVES

We consistently deploy technological measures to optimize our operations and enhance our productivity. As part of these efforts, in recent years, we have piloted a number of initiatives to digitally transform our operations. We have aligned our transformation initiatives in three primary dimensions: frontline staff, store operations and merchandise management.

Empowering Frontline Staff

An important aspect of the overall consumer experience is consumers' interaction with our frontline staff for various sports-related needs. In addition to our staff training and standard operating procedures, we have been exploring various ways to equip thousands of our staff with technical tools to systematically enhance their ability to serve consumers and manage operations.

We have developed a digital toolkit based on our accumulated know-how in store-operation management to empower our frontline staff and regional managers. Our digital toolkit installed on mobile devices provides users with access to real-time data of our stores. The toolkit uses embedded algorithms to automatically perform multi-dimensional analysis on those operational data. We have used the toolkit in the following major aspects of our store operations:

- *In-store Merchandise Management.* Our store managers can check the real-time inventory level and sales performance of each SKU in their stores and adjust their in-store product displays and promotional activities accordingly. Similarly, our regional managers can use the digital toolkit to compare the sales performances of the same SKU among different stores and re-allocate SKUs to those stores that represent better sales opportunities.
- *Staff Management.* Our store managers can use our digital toolkit to monitor and analyze the real-time sales performance of their staff, to accurately address individual staff member's performance with specific guidance on a real-time basis. Our store staff can also use the toolkit to track their own sales performances in real time, compare them with those of their peers, and adjust their sales focus to raise their personal sales.
- *Sales Target Management.* Our store managers can set and monitor sales targets for their stores, and create time-sensitive and reward-driven tasks for their staff. Our store managers can also monitor their stores' completion progress towards sales targets or specific sales tasks in real time, allowing them to promptly make adjustments as necessary.
- *Process Management.* Our frontline staff empowerment toolkit has significantly streamlined certain aspects of our store operations. Store managers can now generate weekly sales reports with a few taps, and share the reports immediately with their regional managers, freeing up time for more substantive management tasks. In addition, our frontline staff can use the digital toolkit's communication tools to conveniently schedule and hold online conferences regardless of time and place and quickly brainstorm solutions for urgent issues while looking at the same figures.

As of the Latest Practicable Date, our frontline staff empowerment toolkit had been used by more than 17,468 users in more than 72% of our stores, with the weekly active-user rate exceeding 93%. We expect to expand deployment of this digital toolkit to more of our stores.

Digitally Enhancing Store Operations

With millions of consumers entering our stores everyday, we have been developing various initiatives to digitally capture and analyze useful data that was previously uncollectible to help us make operational decisions.

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To have a better understanding of consumers' shopping preferences and patterns and to accumulate know-how more scientifically, we have deployed smart-store systems on a pilot-store basis. These systems enable us to effectively monitor in-store activities from three dimensions: consumers, products and shopping areas. Best practices and know-how developed from our pilot smart stores can be implemented more broadly to improve the overall performance of our nationwide store network.

- *Consumers.* The smart-store systems can capture and estimate store visitors' demographic data and generate a store's consumer demographic profile (including gender, age and other demographic metrics). Store managers can adjust in-store product mixes, displays and promotional activities to tailor to this consumer demographic profile.
- *Products.* Store managers can use the data and analytics from the smart-store systems to better understand consumers' product preferences, which allows us to further adjust our product displays and sales strategies.
- *Shopping Areas.* The smart-store systems can generate real-time "heat maps" and "movement routes" showing visiting consumers' in-store routes and their average length of stay in specific areas. Through these data, store managers can learn which shopping areas are less visited than others and make adjustments accordingly.

Since September 2017, we have installed the smart-store systems in certain of our stores. The following case study illustrates how one of our mono-brand stores piloted the smart-store system.

Case Study: Smart Store

We installed a smart-store system in one of our stores in 2018. By analyzing the aggregated consumer demographic profile depicted by the smart-store system, the store manager observed that female consumers accounted for approximately 50% of that store's visiting consumers, whereas the revenue contribution from female consumers only accounted for approximately 33% of that store's revenue during the observation period. Furthermore, the store manager, through analyzing visiting consumers' in-store movement routes captured by the smart-store system, observed that approximately 70% of them never visited the store's rear-end shopping areas.

Based on these observations, the store manager increased the female product SKUs and further optimized the product display in the store's female products area. The store manager also rearranged the store layout to increase the visibility of those rear-end shopping areas and placed more display shelves between the store's front and rear areas to redirect visitor flow.

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Within the first month after increasing the store's female sportswear products, the monthly sales of female product SKUs increased by nearly 40% compared to the prior month, while the total monthly sales of the entire store increased by approximately 17%. Since then, the store's monthly sales of female product SKUs have consistently been substantially higher than those of the nearby comparable stores. Similarly, within the first month after revising the store's layout, the monthly sales from those rear-end shopping areas increased by approximately 80% compared to the prior month.

Optimizing Merchandise Management

Effective merchandise management is vital for ensuring superior consumer experience and improving store sales efficiency, as it drives our business plans and our decision-making for merchandise procurement and inventory replenishment. Given its critical nature, we have invested significant resources and efforts in upgrading our merchandise management practice. In recent years, we have made significant progress in digitizing and systemizing our merchandise analytics and categorization processes, making our merchandise management system more robust and our merchandise-related decisions more accurate. The following two examples illustrate our latest achievements in this aspect of our business.

Our Digitalized Procurement System

We place orders for sportswear products from our brand partners six to nine months prior to the target sales season, and we are contractually obligated to accept their product deliveries (except for defective products), regardless of changing economic and market conditions. Therefore, accurate merchandise procurement—in terms of both mix and quantity—is crucial for us in minimizing lost sales resulting from inventory shortages and avoiding over-reliance on discounts to reduce excess inventory.

We have developed a digitalized procurement system that combines the accumulated knowledge of our team with advanced data analytics and processing technologies. This digitalized procurement system makes our procurement process less dependent on our team's human judgment and, consequently, less susceptible to human errors. At the beginning of each procurement cycle, our procurement team reviews and adjusts the relevant parameters of each store into our self-developed digital system. The system then uses its embedded algorithms, which have been programmed based on our industry know-how and business decision-making logic, to automatically generate a baseline order sheet for each specific store. This baseline order sheet includes the suggestions for store's product mix and the proposed ordering quantity for each SKU. Our procurement team then adjusts the baseline order sheet to reflect their considerations of region- and store-specific circumstances. As such, our procurement team can generate and integrate thousands of store-level order sheets within hours, a process that previously took weeks to complete.

Our Technology-Enhanced Inventory Replenishment System

We have developed a business intelligence system that enables our inventory control team to check in-store inventory levels in real time and immediately make replenishment orders whenever needed. This system can also automatically generate and send replenishment alerts to our inventory control team if inventory levels fall below preset levels based on anticipated demand for any SKU in their stores. In addition, this system can forecast local demand for a product based on the historical sales of similar products. Relying on these forecasts, our inventory control team can place small replenishment orders in advance, adjusting their stores' inventory levels to meet anticipated demand. This technology-enhanced replenishment process facilitates our stores' inventory turnover and leaves less room for human errors. This system also allows us to store more inventory at centralized warehouses instead of at individual stores, giving us more flexibility in sharing inventory across our store network.

OUR MANAGEMENT OF STORE OPERATIONS**Store Openings, Closures and Upgrades**

We constantly seek to optimize our store network, and we make decisions on store openings, closures and upgrades on a centralized basis.

Openings and Closures

We discuss our overall plan for opening new stores each year with our brand partners, focusing primarily on the number of and locations for new mono-brand stores, and jointly decide our plan. To find ideal locations for our new stores, over the years we have conducted extensive surveys and retail mappings in China and distilled the results into a comprehensive data analytics system. This enables us to make more confident forecasts of our new stores' performances by comparing the proposed new store locations with our own stores with comparable location characteristics.

We typically spend approximately three months from the date of the relevant concessionaire or lease agreement to open a new store, including the time for construction and interior decoration work. When opening a new mono-brand store, we follow guidelines and specifications from, and work closely with, the corresponding brand partner in matters including survey and measurement, store layout design, interior design and construction. Our brand partners provide substantial financial and technical support to us in opening some of our new mono-brand stores.

In addition to prudently opening new stores, each year we close certain stores at our own discretion to optimize our overall store network, and we regularly report our store closures to our brand partners for their record. We close stores primarily because their sales performances fall short of our expectations, their locations are no longer close to our target consumers due to changes in market circumstances, or the shopping malls or department stores where the stores are located close down. Given our use of relatively short concessionaire or lease terms

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for our stores and the short depreciation periods that we apply to leasehold improvement assets, store closings typically do not materially affect our financial performance. In general, our new stores tend to be larger in size than those we close.

Upgrades

In recent years, upgrading our existing stores with growth potential has been one of our key business strategies. Upgrading an existing store based on known performance is an effective and low-risk way to capture more consumer traffic and increase sales. When upgrading stores located in premises with proven foot traffic, such as landmark shopping malls and department stores, we typically acquire spaces adjacent to the existing store and expand the store's size to capture more business. In addition, we may also enrich the stores' product portfolios and/or increase staffing to provide a better shopping experience.

Concessionaire and Lease Agreements

We operate our stores on third parties' premises, including department stores, shopping malls and street-level standalone premises. We acquire rights to use these premises under either concessionaire agreements or lease agreements.

We operate a majority of our stores under concessionaire agreements. These stores are usually located within department stores of well-known operators while some are within popular shopping malls. Our concessionaire agreements typically have a term of 12 months. In our stores under concessionaire agreements, consumers pay for the products we sell at centralized cashier counters operated by the respective department store or mall, who in turn transfer the net sales amount to us, typically on a monthly basis, after deducting concessionaire fees and other relevant expenses. For lease agreement stores, we operate our own cashier counter within these stores and pay fixed or variable monthly rents and other expenses to the landlord. Our lease agreements usually have a term not exceeding three years.

OUR SUPPLY CHAIN MANAGEMENT

Procurement

Under our retail agreements with our brand partners, we typically need to place firm orders with our brand partners six to nine months before the start of a season. To ensure accurate merchandise procurement, we maintain a procurement team with members across our major offices. Members of this procurement team, who have served our Company for seven years on average, have rich industry experience, acute awareness of market trends and close relationships with brand partners. To increase the effectiveness of our procurement process, we have developed a digitalized procurement system. For details, see the section headed “—Our Digital Transformation Initiatives—Optimizing Merchandise Management—Our Digitalized Procurement System.”

Logistics

Belle International Group has been providing us with integrated warehousing and logistics services since March 2018. For more details, please refer to the section headed “Connected Transactions—Non-Exempt Continuing Connected Transactions—Logistics Services Framework Agreement” in this prospectus.

Once the products are delivered to the relevant warehouse by our brand partners, Belle International Group is then responsible for storing a portion of the products in the warehouses, while sorting and delivering the rest to individual stores in our store network. Throughout a season, replenishment orders are constantly generated for our stores when their respective inventory level runs low, and Belle International Group distributes the requested products on these orders. Due to the efficiency of our replenishment system and Belle International Group’s logistics capabilities, our replenishment orders are usually fulfilled within 24 hours.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any material delays or improper handling of orders that materially and adversely affected our business operations.

Inventory Control

During the Track Record Period, our inventory primarily consisted of sportswear products we purchased from brand partners. We have taken various measures to closely monitor and control our inventory levels, including using our technology-enhanced inventory replenishment system. For details, see the section headed “—Our Digital Transformation Initiatives—Optimizing Merchandise Management—Our Technology-Enhanced Inventory Replenishment System.” Furthermore, we can re-allocate inventory among different stores or sales regions, based on our understanding of local consumer preferences, to increase their sales opportunities. In some cases, we have negotiated with our brand partners on an *ad hoc* basis and returned unsold inventory to them for a refund. In addition, we typically sell obsolete inventory at discounts in our mono-brand factory outlets or at our temporary sales counters, and hold promotional events in our other mono-brand stores to boost sales of slow-moving products.

For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our inventory turnover days were 103.6 days, 103.2 days, 103.5 days and 115.2 days, respectively, significantly lower than the industry average of 180 days, according to Frost & Sullivan. We make provisions for impairment losses of inventories. We recognize these provisions as an expense in our consolidated statements of profit or loss. The amounts of these provisions depend on our estimates about the selling prices of inventories based on their ages and the market conditions when the provisions are made. As of February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our provision balance for impairment losses of inventories remained stable at the level of RMB32.1 million.

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PRICING

While our brand partners typically set nationwide MSRPs for their products, we have the discretion to determine the discounts to MSRPs at which we sell the products, both on a retail basis to consumers and on a wholesale basis to our downstream retailers.

OUR MANAGEMENT OF DOWNSTREAM RETAILERS

The downstream retailers we work with are our wholesale customers, and as of May 31, 2019, we had 1,090 downstream retailers. Based on our industry knowledge, we believe that our use of downstream retailers for sportswear products is generally in line with industry practice.

We engage with downstream retailers mainly to supplement our directly-operated store network and expand our reach through those downstream retailers' own retail networks. To boost our wholesale revenue and complement our own store network, we gradually increased the number of our downstream retailers during the Track Record Period. The following table sets forth the changes in the number of our downstream retailers as of the dates and for the periods indicated:

	Year ended February 28,			Three months ended
	2017	2018	2019	May 31, 2019
<i>Number of downstream retailers</i>				
At the beginning of the period	707	770	942	1,080
Add:	120	215	210	44
Less:	57	43	72	34
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase in the number of downstream retailers	63	172	138	10
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At the end of the year/period	<u>770</u>	<u>942</u>	<u>1,080</u>	<u>1,090</u>
Retention rate ⁽¹⁾	91.9%	94.4%	92.4%	96.9%

Note:

- (1) Retention rate for a period represents one minus the turnover rate, which is calculated as the number of downstream retailers terminated during this period divided by the number of downstream retailers at the beginning of this period, and multiplied by 100%.

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We have a seller-buyer relationship with all our downstream retailers. We retain no ownership over the sportswear products that we sell to them. These downstream retailers sell the sportswear products procured from us to consumers directly. During the Track Record Period, all of our downstream retailers were Independent Third Parties.

We generally sell sportswear products to downstream retailers at wholesale prices higher than those we pay to our brand partners. The downstream retailers are only allowed to return products to us if they are defective, which we in turn can return to our brand partners. On an exceptional basis, we also negotiate with downstream retailers and agree to accept their returns of certain non-defective products, especially in circumstances where we can return these products to our brand partners. The following table sets forth our sales to downstream retailers and the value of goods returned from them during the Track Record Period.

	For the year ended February 28,			For the three months ended
	2017	2018	2019	May 31, 2019
	<i>(RMB in millions)</i>			
Sales to downstream retailers	1,787.3	2,516.9	3,356.6	1,035.9
Value of goods returned from downstream retailers	26.0	72.5	73.4	16.1

Most of our downstream retailers operate mono-brand stores that are authorized by the relevant brand partners through us. Given these arrangements for their stores' authorization, we have effective control over the density and location of the stores operated by our downstream retailers. We use this control to avoid competition both between our downstream retailers and our directly-operated stores, and among downstream retailers themselves.

To ensure that our downstream retailers' mono-brand stores provide consumer experiences consistent with our brand partners images, we typically design the layout of these stores according to our brand partners' specifications and use construction materials and fixtures specified or provided by our brand partners. We also assign on-site supervisors to oversee the construction and interior decoration processes. For certain large stores of our downstream retailers, our and our brand partners' retail management personnel will also provide the store staff with training, guidance on product displays and other support.

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To efficiently control our downstream retailers and ensure an orderly market for the sportswear products within our brand portfolio, we generally use standardized wholesale agreements for our contracts with them. These standardized wholesale agreements include the following key terms:

<i>Duration</i>	Typically one year. Our wholesale agreements with our two online downstream retailers have terms of 1.3 years and 3.5 years, respectively.
<i>Designated distribution area and/or channel</i>	Downstream retailers typically may not resell sportswear products purchased from us outside their designated areas and/or sales channels. However, there is no similar restriction on the two online downstream retailers.
<i>Exclusivity</i>	<p>Downstream retailers may not procure from other sources the same sportswear products that they purchase from us. They may only resell the sportswear products they purchase from us to consumers and may not resell them to any sub-distributor or through any third-party sales channel (including any online channel) other than their own channels.</p> <p>Our wholesale agreements with the two online downstream retailers do not include similar exclusivity provisions.</p>
<i>Retail pricing</i>	Downstream retailers (including the two online downstream retailers) typically have the discretion to adjust the discounts to MSRPs at which they sell the products.
<i>Pricing policy</i>	We set the prices at which we sell sportswear products to our downstream retailers based on negotiations with them. These prices are at a discount to the MSRPs set by the brand partners.
<i>Title and risk transfer</i>	Title to the sportswear products and legal risks (including inventory risk) are passed to our downstream retailers (including the two online downstream retailers) when the products leave the warehouses we designate or upon delivery, subject to our wholesale agreements with them.
<i>Goods return and obsolete stock arrangements</i>	Downstream retailers (including the two online downstream retailers) typically may only return products purchased from us if they are defective.
<i>Sales and inventory reports and estimates</i>	Downstream retailers, with the exception of our two online downstream retailers, typically report their sales performance and inventory levels to us on a monthly basis and provide us other retail-related information at our request from time to time.

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<i>Minimum purchase amounts</i>	In certain of our wholesale agreements, the downstream retailers must fulfill minimum purchase amounts requirements; otherwise, we are entitled to terminate the agreement. Our wholesale agreements with the two online downstream retailers do not include similar minimum purchase provisions.
<i>Credit and payment terms</i>	Downstream retailers (including the two online downstream retailers) typically make their payment for procured products before delivery.
<i>Termination and renewal</i>	<p>Our wholesale agreements with the downstream retailers typically may be renewed or terminated upon mutual agreement.</p> <p>In certain of our wholesale agreements, we may also unilaterally terminate the wholesale agreement if the downstream retailer breaches certain material provisions including exclusivity and designated distribution area and/or sales channel.</p>

Our downstream retailers' stores can use our POS system (which transmits their sales and inventory data to us) or, alternatively, report these data to us monthly or more frequently at our request. We use these data to estimate and monitor the sales performance and inventory levels of our downstream retailers and, if necessary, provide guidance to them on product procurement plans to avoid inventory accumulation or any other problems that we noticed. We believe that we have substantially mitigated the risk of inventory accumulation through the arrangements with the downstream retailers we work with summarized above. During the Track Record Period, we were not aware of any material stock accumulation by the downstream retailers, and there was no material product return from our downstream retailers that would result in our revenue being materially reduced due to the de-recognition of revenue.

MARKETING

Our brand partners typically invest heavily, through sponsorships and marketing campaigns, to promote their brands and products. Therefore, we primarily rely on their marketing efforts to boost sales. To enhance the social awareness of our brand portfolio and our multi-brand store trade names, primarily including Topsports and Foss, we proactively hold promotion events at our directly-operated stores from time to time. In addition, we participate in marketing activities organized by the third-party shopping malls, department stores and online retail platforms where we operate our offline and online stores.

For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our marketing and promotion expenses amounted to RMB43.3 million, RMB13.5 million, RMB28.9 million and RMB5.3 million, respectively, representing 0.2%, 0.1%, 0.1% and 0.1%, respectively, of our total revenue for the corresponding periods.

WARRANTIES AND AFTER-SALE SERVICES

Pursuant to the *PRC Product Quality Law*, the *PRC Law on Protection of Consumer Rights and Interests* and other applicable PRC laws, consumers may return or exchange a defective product within a specified time period. Our stores have adopted standardized goods return policies. In general, our consumers can return or exchange defective products within seven days of purchase or delivery through our directly-operated stores or through hotlines. According to our retail agreements with the brand partners, defective products returned to us are sent back to the brand partners and we are credited for these returns. We require our frontline staff to follow our customer service guidelines, including on how to handle customer complaints. Our frontline staff receives and handles customer inquiries and complaints in stores and through hotlines. We address complaints in a variety of ways, including communicating with consumers and taking other appropriate actions.

During the Track Record Period, there were no material product returns or exchanges, product liability claims, or complaints from individual consumers or our downstream retailers. We did not record any provision for product warranty during the Track Record Period.

LARGEST CUSTOMERS AND SUPPLIERS

Our customers include individual consumers and downstream retailers. For more details in relation to our downstream retailers, see the section headed “—Our Management of Downstream Retailers.”

For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, sales to our five largest customers, which comprised our downstream retailers, in aggregate, and sales to our largest customer accounted for less than 5% of our total revenue for the corresponding periods, respectively. All of our five largest customers during the Track Record Period were Independent Third Parties. To the best of our knowledge, none of our Directors, their close associates or any of our current Shareholders having over 5% of our share capital has any interest in any of our five largest customers that are required to be disclosed under the Listing Rules.

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Our suppliers are primarily the brand partners that constitute our brand portfolio. The following table sets forth our five largest suppliers and their respective contribution to our total purchases for the periods indicated:

Ranking	Name of Supplier	For the year ended February 28,				For the three months ended May 31,		
		2017	2018	2019	2019	2019	2019	
		% of total purchase	% of total purchase	% of total purchase	% of total purchase	% of total purchase	% of total purchase	
1.	Company A	47.2	Company A	45.8	Company A	44.1	Company A	46.9
2.	Company B	40.8	Company B	40.8	Company B	38.7	Company B	42.2
3.	Company C	2.9	Company C	3.3	Company C	3.5	Company C	3.2
4.	Company D	2.5	Company E	2.6	Company E	2.5	Company D	1.4
5.	Company E	2.3	Company D	1.9	Company D	1.5	Company F	0.7
Total		<u>95.7</u>		<u>94.4</u>		<u>90.3</u>		<u>94.4</u>

For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our purchases from our largest supplier accounted for approximately 47.2%, 45.8%, 44.1% and 46.9% of our total purchase in these respective periods. Our purchases from our five largest suppliers accounted for approximately 95.7%, 94.4%, 90.3% and 94.4% of our total purchase in these respective periods. All of our five largest suppliers during the Track Record Period were our brand partners and were Independent Third Parties. To the best of our knowledge, none of our Directors, their close associates or any Shareholder (which to the knowledge of our Directors owns more than 5% of our share capital) had any interest in any of our five largest suppliers that are required to be disclosed under the Listing Rules.

COMPETITION

China's sportswear retail market has significantly expanded during the past decades as a result of the country's continued economic development and urbanization as well as the rising health- and sports-awareness. The growth potential of this market has attracted a number of international and domestic sportswear retailers and competition among various retailers is expected to intensify. According to Frost & Sullivan, as of December 31, 2018, the five largest sportswear retailers constituted 31.1% of the total market share of China's sportswear retail market in terms of sales. We constituted approximately 15.9% of the total market share on December 31, 2018. For more information about the competition landscape in China's sportswear retail market, see "Industry Overview—Entry Barriers and Competition in China's Sports Footwear and Apparel Retail Market."

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Although China’s sportswear retail industry is highly competitive, we believe that we enjoy a competitive edge over our competitors because of a series of factors, including our market position as China’s largest sportswear retailer, our extensive and deeply penetrating directly-operated sportswear store network, our continuous, wide-reaching and direct interactions with consumers, our technology-enabled systemic retail operations, our strong relationships with our brand partners, and our experienced, visionary management team. For more details, see “—Our Competitive Strengths.” As a result, we believe that our potential competition on a nationwide level is limited and we will be able to maintain our competitiveness and remain a leading sportswear retailer in China by implementing the strategies set out under “Our Strategies” above.

EMPLOYEES

As of the Latest Practicable Date, we employed approximately 37,185 full-time employees in 30 provinces of China. The following table provides a breakdown of our employees by function as of that date:

Department	As of the Latest Practicable Date	
	Number of Employees	% of total
Business operations	35,125	94.5
– Frontline staff	31,800	85.5
– Brand management, procurement, inventory control and other personnel	3,325	8.9
Administrative and other supporting functions	2,060	5.5
	<u>37,185</u>	<u>100.0</u>

We emphasize on-going training and development of our frontline staff. We directly manage the recruitment and in-house training of our frontline staff. Our in-house training programs cover topics including consumer service and sales skills. Our brand partners also, from time to time, provide training to our branch offices such as customer services and product handling procedures.

We consistently seek to discover, attract and retain sales talent. We have internally promoted a substantial number of store managers for our flagship stores and Strategic Stores. In addition, we actively scout for candidate managers from our competitors and have attracted a number of talented managers to join us.

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To incentivize our frontline staff, we have linked a portion of their compensation to the sales performance of their corresponding directly-operated stores. We offer our employees additional benefits such as annual leave, stipends and health examinations, and make social insurance and housing provident funds contributions for their benefit. During the Track Record Period, we did not receive any administrative penalty for failing to comply with applicable PRC laws regarding social insurance and housing provident funds.

We strive to continuously maintain good working relations with our employees. We believe that our management policies, working environment, development opportunities and employee benefits have contributed to building good employee relations and employee retention. During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image.

INTELLECTUAL PROPERTY RIGHTS

Our intellectual property rights are key to our success and competitiveness, primarily consisting of the trademarks and the domain names we use. For more details of the material intellectual property rights we use, including trademarks and domain names, see the section headed “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of Our Group” in Appendix IV to this prospectus.

During the Track Record Period, we were duly authorized to use the trademarks and other intellectual property of the corresponding brand partners on a non-exclusive basis for the sale of products that we sourced from these brand partners as well as for the promotion of our own store trade names.

We were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or *vice versa* during the Track Record Period and up to the Latest Practicable Date.

LAND AND PROPERTIES

Owned Land and Properties

As of the Latest Practicable Date, we did not own any land or properties.

Leased Properties

As of the Latest Practicable Date, we directly operated 8,372 stores in China, the majority of which were operated under concessionaire agreements with the remainder under lease agreements. As of May 31, 2019, we leased 2,529 properties, the vast majority of which were for operating our stores under lease agreements and the remainder were used for offices and storage facilities. All of our leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

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None of our stores operated under lease agreements contributed more than 1% of our revenue for the year ended February 28, 2019 or the three months ended May 31, 2019. As of the Latest Practicable Date, no single property leased by us was material to our operations. If we are required to cease to occupy any of these leased properties, we believe that we will be able to find suitable replacement locations without material delay, incurring undue cost, or causing disruption to our business.

As of the Latest Practicable Date, there were defects in the titles of some of our leased properties, which could render the lease agreements relating to these properties unenforceable under applicable PRC laws. These defects primarily related to (i) the lessors of the relevant leased properties not having provided valid authorization documents evidencing their right to lease these properties; and (ii) the lessors of the relevant leased properties not having provided valid title certificates or other ownership documents for these properties. As a consequence, we may be exposed to a potential relocation risk if our rights to use these properties were to be successfully challenged. In addition, as of the Latest Practicable Date, a large number of the lease agreements relating to our leased properties had not been registered with the relevant PRC housing administration authorities in accordance with applicable PRC regulations, which could subject us to administrative penalties. See the section headed “Risk Factors—Risks Relating to Our Business and Industry—Some of our leased properties have title defects and did not complete registration procedures at relevant authorities. We may be required to cease occupancy and use of such leased properties if there is a valid claim for them” in this prospectus.

We consider that the defects in the titles of our leased properties and the failure to complete the administrative registrations are primarily attributable to reasons beyond our control because the lessors of these properties are responsible for procuring the necessary ownership certificates and providing documents and information necessary for the administrative filings. We understand that, as of the Latest Practicable Date, some of the lessors were in the process of procuring the property ownership certificates or the construction completion acceptance receipts. To minimize the potential adverse impact of the above property defects on our operations, we plan to continue to maintain regular communication with the lessors regarding their progress of remedying the defects. We have established guidance and strengthened our internal control procedures to improve our assessment of locations for our new stores from a compliance perspective. We will provide training to our relevant business development personnel to enable them to identify and collect sufficient and valid title certificates, other ownership documents and authorization documents from the lessors during the store opening process. We will also consult with our external legal counsel to review the title certificates and other documents for our new stores’ premises to ensure compliance with applicable PRC laws and regulations.

After taking into consideration the above factors, our PRC legal advisors, JunHe LLP, have confirmed that the legal implications of the defects and non-compliance matters described above are not likely to have a material adverse impact on our business.

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As of the Latest Practicable Date, there was not a single property leased by us having a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

INSURANCE

We have procured public liability insurance and all risk property insurance for our business in accordance with industry practice, which cover damages caused by natural hazards such as hurricanes, storms, rainstorms, fires and other unpredictable and uncontrollable incidents. We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is in line with the general industry practice in China and is adequate for our existing operations.

During the Track Record Period, we did not have any material insurance claims in relation to our business.

HEALTH, OCCUPATIONAL SAFETY AND ENVIRONMENTAL PROTECTION

Our operations are subject to regulation and periodic monitoring by local work safety authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations. As such, we emphasize occupational health and safety and have established work safety policies and procedures to ensure that our operations are in compliance with applicable safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, none of our employees had been involved in any major workplace accident in the course of their employment, and we had not been subject to any disciplinary actions with respect to labor protection issues.

We believe that our operations do not produce material industrial waste and have a limited impact on the environment compared to companies that directly engage in production. As confirmed by our PRC legal advisors, JunHe LLP, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any administrative penalty of the regulatory authorities for violating the applicable PRC environmental laws and regulations.

LEGAL PROCEEDINGS AND NONCOMPLIANCE

Legal Proceedings

We may from time to time be involved in legal proceedings arising from the ordinary course of our business. These legal proceedings include claims initiated by or against us to recover overdue payments and other obligations under concessionaire agreements and other

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contracts we entered into, and other claims against us such as product liability claims. As of the Latest Practicable Date, we had one pending lawsuit against us of which the amount in dispute was more than RMB5 million, which was brought by a landlord in respect of our termination of the lease for a Sports City we closed and we believe has no material adverse effect on our business, financial condition or results of operations. In addition, as of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have non-compliance incidents that our Directors believe would, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China. We renew all such permits and licenses from time to time to comply with the relevant laws and regulations. Our PRC legal advisors, JunHe LLP, have advised us that there is no material legal impediment to renewing such permits or licenses.

RISK MANAGEMENT AND INTERNAL CONTROLS

We are exposed to various risks in the course of our operations and have established risk management systems with policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate primarily to the management of our store operations, procurement, inventory, treasury and financial reporting processes.

Through our membership program, store-based consumer communities and digital transformation initiatives such as smart-store systems, we gain access to certain consumers' personal, transaction and behavioral data, including name, gender, birth date, contact information, transaction records, and records of participating in online and offline member interactions. In addition, we collect consumers' in-store shopping routes and behaviors as part of our digital transformation initiatives. We own the consumer data we collect through our membership program and digital transformation initiatives, and we store this data on a long-term basis in our information systems in China. On the other hand, the consumer data that we access or generate through our store-level consumer communities, including our online conversations with consumers in our store-level consumer chat groups and the consumers' transaction records generated during their online shopping via our "Store Mini-Programs" (except for those related to our members as discussed above), is the proprietary information of the relevant social media platforms. Accordingly, the storage and management of that information is subject to those social media platforms' data governance policies. Sufficient maintenance, storage and protection of consumer data and other related information is critical

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to our business. We have implemented procedures and controls to protect our proprietary consumer data and avoid potential data breaches. We have also incorporated strict ethical standards into our employee manuals and our agreements with our business and technology partners, prohibiting any unauthorized use or disclosure of consumer data. Under our agreements with members, we agree not to disclose, sell or share our members' private information to any third party without consent of the relevant members. Our dedicated information team is authorized to set email, IT system and intranet access restrictions for our employees depending on their positions and responsibilities and monitor their online activities. We use various data anonymization technologies to protect consumer data safety, and our frontline staff and regional managers can only access the anonymized consumer data of their respective stores and regions. Only a very limited number of our management, customer service, information security, and internal audit personnel have access to the original consumer data. In addition, our employees are not allowed to install any unauthorized software on office computers, modify or restrict the functioning of any company-installed software, or visit any illegal or otherwise inappropriate websites or software. Under our agreements with our business partners, our business partners must encrypt confidential information they receive from us and limit access to persons participating in the relevant projects. Our information team regularly performs data security and privacy checks to ensure that the usage, maintenance and protection of consumer data are in compliance with our internal rules and applicable laws and regulations.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. Our Audit Committee consists of three members, namely LAM Yiu Kin, HUA Bin and HUANG Victor. For the qualifications and experience of these committee members, see the section headed "Directors and Senior Management" in this prospectus;
- adopt various policies to ensure compliance with the Listing Rules, including aspects related to risk management, connected transactions and information disclosure;
- provide periodic anti-corruption and anti-bribery compliance training to our senior management and employees to enhance their knowledge and compliance with applicable laws, regulations and best practices, and include these policies in our employee handbooks; and
- provide training to our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of the directors and senior management of companies listed in Hong Kong.

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We have engaged an internal control consultant to review the effectiveness of our internal controls associated with our major business processes, identify deficiencies and improvement opportunities, provide recommendations on remedial actions and review our implementation status of remedial actions. In addition to the internal control measures that we adopted in relation to our historical instances of non-compliance, certain other internal control matters were identified and we have adopted corresponding internal control measures to improve on these matters. We have adopted the recommendations made by the internal control consultant, and our internal control consultant has completed follow-up procedures on our internal control system with regard to those remedial actions taken by us and has not identified any material deficiencies in our internal control system.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I—Accountant’s Report of the Group” and “Appendix II—Unaudited Pro Forma Financial Information,” in each case together with the accompanying notes. The Accountant’s Report has been prepared by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”).

This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the section headed “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We operate a consumer-centric sportswear retail and service platform in China. Through our industry-leading nationwide directly-operated store network, we come into daily contact with an estimate of more than two million consumers, for whom we provide quality sportswear products and differentiated services. According to Frost & Sullivan, we are the largest sportswear retailer in China in terms of estimated retail-equivalent sales value (inclusive of VAT) in 2018 with a 15.9% market share. We have built strategic partnerships with leading international sportswear brand partners over the years, providing them with access to the Chinese market and insights on Chinese consumers. In recent years, our technology initiatives have further allowed us to expand our consumer outreach and engagement, empower our staff, and enhance our store network and operations, resulting in better consumer experience and increased efficiency and productivity.

BASIS OF PRESENTATION

Pursuant to discussions in the section headed “History, Reorganization and Corporate Structure” in this prospectus, the principal business of our Group (the “**Listing Business**”) was principally operated and managed under certain wholly-owned subsidiaries of our Controlling Shareholder Belle International during the Track Record Period and immediately prior to the Reorganization. The Reorganization is merely a reorganization of the Listing Business with no change in management or the ultimate owners of the Listing Business. Accordingly, our Group is regarded as a continuation of the Listing Business under Belle International. Our financial information as detailed in the section headed “Appendix I—Accountant’s Report of the Group” to this prospectus has been prepared and presented as a continuation of the consolidated

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financial statements of Belle International and its subsidiaries, with the assets and liabilities of our Group recognized and measured at the carrying amounts of the Listing Business under the consolidated financial statements of Belle International for all periods presented.

In addition, our consolidated financial information also included certain assets, liabilities and results of operations relating to the Listing Business that involved certain entities not now comprising our Group. Transactions and balances of these entities specifically identified as relating to the Listing Business were consolidated in our consolidated financial information, while those specifically identified as unrelated to the Listing Business had been excluded from our consolidated financial information. There are no significant expenses or balances not specifically identified as relating to the Listing Business.

Our consolidated financial information has been prepared in accordance with the IFRSs as issued by the IASB. Our consolidated financial information has been prepared under the historical cost convention. We have adopted and consistently applied throughout the Track Record Period all of the new standards, amendments to standards, and interpretation that are effective on March 1, 2019. The preparation of our consolidated financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in Note 5 of “Appendix I—Accountant’s Report of the Group” to this prospectus.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Consumer Spending and Changes in Consumption Patterns for Sportswear in China

Benefiting from China’s economic growth and ongoing urbanization, Chinese consumers’ disposable income has been significantly increasing. According to Frost & Sullivan, China’s national regular sports participation rate increased from 14.7% in 2014 to 18.7% in 2018, and its per capita annual consumption expenditures on sports increased from RMB203.0 in 2014 to RMB290.3 in 2018. We believe that Chinese consumers’ increasing spending on sports and changes in their consumption patterns will continue to drive the growth of China’s sportswear retail industry, in particular, the level of consumer demand for international sports brands’ products. According to Frost & Sullivan, the market share of international sports brands’ products in China’s sports footwear and apparel retail market increased from 46.0% in 2014 to 54.0% in 2018. For more details of consumer spending and changes in consumption patterns for sportswear in China, see “Industry Overview—Overview of China’s Sports Industry—China’s Economic Growth and Increasing Sports Participation” and “Industry Overview—Overview of China’s Sports Footwear and Apparel Retail Market—Key Growth Drivers and Trends in China’s Sports Footwear and Apparel Retail Market” in this prospectus.

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Breadth and Structure of Our Retail Network

As of the Latest Practicable Date, our retail network consisted of 8,372 directly-operated stores located in 268 cities across China and a further 1,957 stores operated by our downstream retailers. According to Frost & Sullivan, our directly-operated stores constituted China's most extensive directly-operated store network for sportswear products at the end of 2018.

We see our nationwide directly-operated store network as an indispensable asset that continuously drives our business growth. We constantly look for attractive locations for new stores, and we seek to prudently expand the breadth and depth of our store network. We also close suboptimal stores every year. In general, our new stores are larger in size than those we close. In addition, we continuously optimize our network's structure by upgrading stores with high sales potential. Our store upgrades focus on expanding our existing stores that are located in premises with proven foot traffic and good sales potential. Through these strategies, the Gross Selling Area of all our stores increased by 13.0%, 11.4% and 9.3% during the years ended February 28, 2017, 2018 and 2019, respectively. In addition, the Gross Selling Area of our stores increased by 5.3% from February 28, 2019 to the Latest Practicable Date. We also invest in the interior decor and display of existing stores to add to consumer appeal. We believe that our large, directly-operated store network will continue to support us to outperform in China's fast-growing sportswear market.

Our Brand Portfolio and Wholesale Pricing from Brand Partners

As a consumer-centric sportswear retail and service platform, we believe that maintaining a portfolio of high-quality leading sportswear brands is crucial to our success. As of the Latest Practicable Date, our brand portfolio included 11 international sports brands. We expect to continuously evaluate our brand portfolio to include new brands that cater to Chinese consumers' needs and interests.

We purchase products from brand partners on a wholesale basis at a discount for resale. While our brand partners typically set uniform nationwide MSRPs for their products, we ultimately decide the discounts to MSRPs at which we sell these products. Our profitability is dependent on the terms and conditions of our retail agreements with brand partners, including, in particular, the wholesale prices at which we purchase from our brand partners and payment terms for our purchases. For more details of our retail agreements with brand partners, see the section headed "Business—Our Brand Portfolio and Suppliers—Our Supply Agreements" in this prospectus.

Concessionaire and Lease Expenses

We operate our stores under concessionaire agreements or lease agreements, primarily with department stores or shopping malls. Our concessionaire expenses are typically a percentage of sales generated from our stores. Our lease expenses are either fixed, a percentage of our sales or a combination of both. Collectively, concessionaire and lease expenses represent a significant portion of our cash outflows.

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As required under IFRS 16 that was adopted consistently throughout the Track Record Period, all of our fixed-rate leases, except for short-term leases and leases of low-value assets, have been capitalized as right-of-use assets, which are depreciated over the corresponding lease periods. We recognize the depreciation charges as part of selling and distribution expenses during the relevant periods. Therefore, the total amount of our concessionaire and lease expenses and the depreciation of right-of-use assets under our selling and distribution expense can be seen as a proxy of the aggregate costs we incur to procure the right to use our store premises from department stores and shopping malls. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, this total amount was RMB3,380.3 million, RMB3,911.4 million, RMB4,724.5 million and RMB1,245.9 million, representing 15.6%, 14.7%, 14.5% and 13.9% of our revenue, respectively.

Staff Costs

Our staff costs comprise expenses attributable to employees and include wages, salaries and bonuses, pension costs, share-based compensation, welfare and other expenses. Our staff costs were RMB2,633.1 million, RMB3,036.2 million, RMB3,167.2 million and RMB833.8 million for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively, amounting to 12.1%, 11.4%, 9.7% and 9.3% of our total revenue for the same periods, respectively. When adjusted to exclude share-based compensation expenses in respect of the Belle International 2014 Share Award Scheme (as defined below), which amounted to RMB193.8 million and RMB347.4 million for the years ended February 28, 2017 and 2018, respectively, our staff costs would have been RMB2,439.3 million, RMB2,688.8 million and RMB3,167.2 million and RMB833.8 million for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively, accounting for 11.2%, 10.1%, 9.7% and 9.3% of our total revenue for the same respective periods. For a discussion of the Belle International 2014 Share Award Scheme, please see “—Description of Selected Profit or Loss Statement Line Items—General and Administrative Expenses.”

Seasonality

Since substantially all of our revenue is derived from our sales of sportswear products and there are seasonal patterns for sportswear consumption, our business is subject to periodic fluctuations. Historically, our sales have been generally higher during holiday seasons. In addition, our overall results of operations may fluctuate from period to period because of other factors, including costs of raw materials and weather conditions. As a result, our results of operations may fluctuate from period to period and comparison of different periods may not be meaningful.

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SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our Group’s historical financial information. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set forth in detail in Notes 3 and 5 to “Appendix I—Accountant’s Report of the Group” to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, our determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of significant accounting policies; (ii) the judgments and other uncertainties affecting the application of these policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We have set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing of our financial statements.

Adoption of IFRS 9, IFRS 15 and IFRS 16

We have adopted and consistently applied throughout the Track Record Period all of the new standards, amendments to standards, and interpretations that were effective during the Track Record Period, including IFRS 9 “Financial Instruments,” IFRS 15 “Revenue from Contracts with Customers” and related amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers” (“IFRS 15”), and IFRS 16 “Leases” together with the relevant transitional provisions.

Apart from certain additional disclosure requirements, the adoption of IFRS 9 and IFRS 15 did not have any significant impact on our financial position or results of operations during the Track Record Period. Adoption of IFRS 16 resulted in almost all of our fixed-rate leases, except for short-term leases and leases of low-value assets, which were recognized as assets with corresponding obligations to pay rental, being recognized as financial liabilities on our consolidated balance sheets during the Track Record Period. However, the adoption of IFRS 16 did not have any significant impact on our net profit during the Track Record Period.

Revenue and Income Recognition

Sale of Goods

We primarily sell sportswear products through our nationwide directly-operated store network and to downstream retailers.

We recognize revenue when a performance obligation is satisfied, namely when the “control” of goods or services underlying the particular performance obligation is transferred to the customer.

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Revenue from sale of goods is recognized when the control of sportswear products has been transferred as the sportswear products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of products. Delivery occurs when the sportswear products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract or the acceptance provisions have lapsed, or we have objective evidence that all the criteria for acceptance have been satisfied.

Most of our sales of goods are made to retail customers, and for these sales we recognize revenue when control of the goods has transferred, which is when the customer purchases the goods at the retail outlet. A small portion of our sales of goods are made to wholesalers, and we recognize revenue for these sales when control of the products has transferred, which is when the products are delivered to the wholesalers.

Revenue from sale of goods is recognized based on the price specified in the contract, net of discounts, return of goods and value-added taxes. Historical data is used to estimate future return of goods at the time of sale at the portfolio level (expected value method), and the amount of returned goods was relatively insignificant based on historical data.

Concessionaire Fee Income

We grant other retailers the right to operate business within certain of our commercial spaces under concessionaire agreements. We recognize concessionaire fee income upon concessionaire sale of goods by the relevant retailers. Under the relevant concessionaire agreements, we receive the gross transaction amounts on consumer purchases, and we subsequently transfer the proceeds to these retailers after deducting the concessionaire fee income, typically a percentage of their transaction amounts in accordance with the terms of the relevant concessionaire agreements.

Inventories

We state our inventories, which comprise merchandise for sale and consumables, at the lower of cost and net realizable value. We determine cost based on the weighted average method. The cost of merchandise comprises purchase cost from suppliers. Net realizable value is based on the estimated selling price in the ordinary course of business, less applicable variable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature, which could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycles. Our management reassesses these estimates on each balance sheet date.

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Accounting for Leases

We assess whether a contract is or contains a lease at the inception of this contract. We recognize a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which we are the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these right-of-use assets, we recognize the lease payments on a straight-line depreciation basis as an expense in profit or loss over the term of the relevant lease.

A lease liability is initially measured as the present value of the lease payments that have not yet been paid at the commencement date, which is calculated as the nominal value of these lease payments being discounted by using the interest rate implicit in the relevant lease. If this interest rate cannot be readily determined, we use our incremental borrowing rate specific to the country, term and currency of the lease. In addition, we consider our recent bank borrowings as well as publicly available data for instruments with similar characteristics when calculating our incremental borrowing rates.

Lease payments considered in the measurement of lease liability comprise (i) fixed lease payments, less any lease incentives; (ii) variable lease payments that depend on an index or rate, which are initially measured by using the index or rate at the commencement date; (iii) the amount expected to be payable by us as the lessee under the relevant residual value guarantees; and (iv) purchase option or extension option payments payable by us, provided that we have enforceable rights to exercise the relevant purchase options or extension options and we are reasonably certain to exercise these options.

Lease liabilities are presented as a separate line item in the consolidated balance sheet. A lease liability is subsequently measured by increasing the carrying amount to reflect interest accrued on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments already made.

A lease liability is remeasured upon changes in the lease term, changes in an index or rate used to determine the lease payments, or reassessment due to the lessee's exercise of a purchase or extension option. A corresponding adjustment is also made to the related right-of-use asset.

A right-of-use asset is initially measured as the aggregate of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct costs (if any) and restoration costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses.

A right-of-use asset is depreciated over the shorter period of the lease term and the useful life of the underlying asset. Right-of-use assets are presented as a separate line item in the consolidated balance sheets.

We apply IAS 36 "Impairment of Assets" to determine whether a right-of-use asset is impaired and we account for any identified impairment loss.

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Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liability or right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers these payments occurs and are included in concessionaire and lease expenses in our consolidated statements of profit or loss.

Intangible Assets—Goodwill

Goodwill arises on the acquisition of subsidiaries, which represents the excess of the consideration transferred over our interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, we allocate goodwill acquired in a business combination to each of the cash-generating units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the business combination. Each CGU or group of CGUs to which we allocate the goodwill represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. We monitor goodwill at the operating segment level.

We undertake goodwill impairment reviews annually or more frequently if events or changes in circumstances indicate a potential impairment. We compare the carrying value of goodwill to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. We recognize any impairment immediately as an expense and it is not subsequently reversed.

Government Incentives

We recognize incentives from the government at their fair value where there is a reasonable assurance that the incentives will be received and we will comply with all attached conditions.

We defer government incentives relating to costs and recognize them in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

We include government incentives relating to purchase of property, plant and equipment and projects in non-current liabilities as deferred income and credit them to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

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DESCRIPTION OF SELECTED PROFIT OR LOSS STATEMENT LINE ITEMS

The following discussion summarizes components of selected statements of profit or loss line items appearing in “Appendix I—Accountant’s Report of the Group” to this prospectus that we believe may be helpful in understanding the period-to-period discussions that follow.

Revenue

We generated our revenue from sale of goods and concessionaire fee income during the Track Record Period. Our revenue from sale of goods represents the net invoiced value of goods sold, after allowances for rebates and trade discounts, during the relevant periods. Concessionaire fee income represents the fees we charge retailers for their right to operate business within our commercial spaces under concessionaire agreements. The following table sets forth our revenue by nature for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
<i>(RMB in millions, except for percentages)</i>										
<i>(Unaudited)</i>										
Revenue										
Sale of goods	21,498.4	99.1	26,320.8	99.1	32,330.6	99.3	7,840.2	99.2	8,859.8	99.1
Concessionaire fee income ⁽¹⁾	191.9	0.9	229.1	0.9	233.8	0.7	61.9	0.8	77.3	0.9
Total	<u>21,690.3</u>	<u>100.0</u>	<u>26,549.9</u>	<u>100.0</u>	<u>32,564.4</u>	<u>100.0</u>	<u>7,902.1</u>	<u>100.0</u>	<u>8,937.1</u>	<u>100.0</u>

Note:

- (1) Represents revenue generated from our Sports Cities where we charge concessionaire fees from third-party retailers.

Our revenue increased by 22.4% for the year ended February 28, 2018 compared to the year ended February 28, 2017, by 22.7% for the year ended February 28, 2019 compared to the prior year, and by 13.1% for the three months ended May 31, 2019 compared to the same period of the prior year. Sale of goods contributed 99.1%, 99.1%, 99.3% and 99.1% of our total revenue for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively. Our revenue from sale of goods increased by 22.4% for the year ended February 28, 2018 compared to the year ended February 28, 2017, by 22.8% for the year ended February 28, 2019 compared to the prior year, and by 13.0% for the three months ended May 31, 2019 compared to the same period of the prior year. Our revenue from concessionaire fee income increased by 19.4% for the year ended February 28, 2018 compared to the year ended February 28, 2017, by 2.1% for the year ended February 28, 2019 compared to the prior year, and by 24.9% for the three months ended May 31, 2019 compared to the same period of the prior year.

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We sell sportswear products sourced from international sports brands either directly to consumers through our retail operations or to our downstream retailers under our wholesale operations. The following table sets forth our revenue from sale of goods by sales channel for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
Channel	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(Unaudited)</i>									
Retail operations	19,711.1	91.7	23,803.9	90.4	28,974.0	89.6	6,968.4	88.9	7,823.9	88.3
– Mono-brand stores	18,586.8	86.5	22,351.2	84.9	27,081.0	83.8	6,486.7	82.7	7,133.1	80.5
– Other retail operations ⁽¹⁾	1,124.3	5.2	1,452.7	5.5	1,893.0	5.8	481.7	6.2	690.8	7.8
Wholesale operations	1,787.3	8.3	2,516.9	9.6	3,356.6	10.4	871.8	11.1	1,035.9	11.7
Total revenue from sale of goods	21,498.4	100.0	26,320.8	100.0	32,330.6	100.0	7,840.2	100.0	8,859.8	100.0

Note:

(1) Comprises revenue from our multi-brand stores and online shops.

Among our brand partners, the Principal Brands—Nike and adidas—are our two largest brand partners in terms of sales revenue contribution. The following table sets forth a breakdown of our revenue from sale of goods by brand categories (including the Principal Brands and other brands) for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
Channel	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	<i>(RMB in millions, except for percentages)</i>									
	<i>(Unaudited)</i>									
Principal Brands	19,345.8	90.0	23,537.7	89.4	28,253.4	87.4	7,094.0	90.5	7,871.5	88.8
Other brands	2,152.6	10.0	2,783.1	10.6	4,077.2	12.6	746.2	9.5	988.3	11.2
Total revenue from sale of goods	21,498.4	100.0	26,320.8	100.0	32,330.6	100.0	7,840.2	100.0	8,859.8	100.0

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Cost of Sales

Our cost of sales primarily comprises cost of inventories and amounted to RMB12,311.9 million, RMB15,511.6 million and RMB18,957.1 million for the years ended February 28, 2017, 2018 and 2019, respectively, and amounted to RMB4,470.9 million and RMB5,057.3 million for the three months ended May 31, 2018 and 2019, respectively. Our cost of sales increased by 26.0% for the year ended February 28, 2018 compared to the year ended February 28, 2017, increased by 22.2% for the year ended February 28, 2019 compared to the prior year, and by 13.1% for the three months ended May 31, 2019 compared to the same period of the prior year.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage. The following table sets forth a breakdown of our gross profits and gross profit margins for the periods indicated:

	For the year ended February 28,			For the three months ended May 31,						
	2017	2018	2019	2018	2019					
	Gross profit		Gross profit		Gross profit					
	Amount	margin	Amount	margin	Amount	margin				
	RMB	%	RMB	%	RMB	%				
	million		million		million					
	<i>(Unaudited)</i>									
Retail operations	8,871.5	45.0	10,471.6	44.0	12,952.6	44.7	3,229.9	46.4	3,633.2	46.4
Wholesale operations	315.0	17.6	337.6	13.4	420.9	12.5	139.4	16.0	169.3	16.3
Concessionaire fee income	191.9	N/A	229.1	N/A	233.8	N/A	61.9	N/A	77.3	N/A
Total Gross Profit	9,378.4	43.2	11,038.3	41.6	13,607.3	41.8	3,431.2	43.4	3,879.8	43.4

Selling and Distribution Expenses

Our selling and distribution expenses primarily include concessionaire and lease expenses in relation to our stores, depreciation of right-of-use assets in relation to our stores, staff costs, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistic expenses and online service fees. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our selling and distribution expenses were RMB6,097.5 million, RMB7,327.8 million, RMB9,247.5 million and RMB2,453.1 million, respectively, accounting for 28.1%, 27.6%, 28.4% and 27.4% of our total revenue for the same periods.

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The following table sets forth the breakdown of the major components of our selling and distribution expenses for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>
Concessionaire and lease expenses	2,743.8	12.6	2,906.9	10.9	3,371.0	10.4	915.8	11.6	872.7	9.8
Depreciation of right-of-use assets	636.5	2.9	1,004.5	3.8	1,353.5	4.2	292.0	3.7	373.2	4.2
Staff costs	1,720.0	7.9	1,981.9	7.5	2,395.8	7.4	555.6	7.0	622.1	7.0
Other depreciation and amortization	330.9	1.5	475.8	1.8	614.7	1.9	132.0	1.7	174.0	1.9
Others	666.3	3.2	958.7	3.6	1,512.5	4.5	357.1	4.5	411.1	4.5
Total	6,097.5	28.1	7,327.8	27.6	9,247.5	28.4	2,252.5	28.5	2,453.1	27.4

General and Administrative Expenses

Our general and administrative expenses primarily include lease expenses in relation to our offices and leased warehouses, staff costs, depreciation and amortization charges, other tax expenses, and other expenses which mainly include travelling expenses, office administrative expenses, telecommunications fees and professional service fees. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our general and administrative expenses were RMB1,384.7 million, RMB1,538.0 million, RMB1,293.2 million and RMB397.2 million, respectively, accounting for 6.4%, 5.8%, 4.0% and 4.4% of our revenue for these same respective periods.

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The following table sets forth the breakdown of the major components of our general and administrative expenses for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>
	<i>(Unaudited)</i>									
Lease expenses	82.2	0.4	59.2	0.2	39.1	0.1	8.8	0.1	0.5	0.0
Staff costs	913.1	4.2	1,054.3	4.0	771.4	2.4	198.4	2.5	211.7	2.4
Depreciation and amortization	97.9	0.4	113.8	0.4	102.8	0.3	25.2	0.3	35.7	0.4
Other tax expenses	123.1	0.6	117.5	0.4	142.2	0.4	41.7	0.5	61.0	0.7
Others	168.4	0.8	193.2	0.8	237.7	0.8	48.0	0.7	88.3	0.9
Total	1,384.7	6.4	1,538.0	5.8	1,293.2	4.0	322.1	4.1	397.2	4.4
<i>Less:</i>										
Share-based compensation expense	193.8	0.9	347.4	1.3	-	-	-	-	-	-
Amortization of intangible assets arising from business combination ⁽¹⁾	35.6	0.2	35.6	0.1	35.6	0.1	8.9	0.1	8.9	0.1
Listing expenses	-	-	-	-	10.0	0.0	-	-	33.1	0.4
Non-IFRS										
Measure—Adjusted										
general and										
administrative										
expenses⁽²⁾	1,155.3	5.3	1,155.0	4.4	1,247.6	3.8	313.2	4.0	355.2	4.0

Notes:

- (1) The amortization of our intangible assets arising from business combination is an adjustment item that is non-cash in nature. Our intangible assets arising from business combination are expected to be fully amortized by March 2020.
- (2) Our adjusted general and administrative expenses is not calculated in accordance with IFRS, and it is considered a non-IFRS financial measure. We believe that adjusted general and administrative expenses is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow (as discussed below), and it allows investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measures a substitute for or superior to our IFRS results.

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As part of our staff costs in respect of general and administrative expenses, we recognized share-based compensation expense in respect of a share award scheme of Belle International implemented in 2014 (the “**Belle International 2014 Share Award Scheme**”) in accordance with the IFRSs amounting to RMB193.8 million and RMB347.4 million for the years ended February 28, 2017 and 2018, respectively. We did not have such expense for the year ended February 28, 2019 or the three months ended May 31, 2019.

We recognize the fair value of the employee services we receive in exchange for the grant of equity instruments under the Belle International 2014 Share Award Scheme as an expense over the vesting period, and credit to share-based compensation reserve under capital contribution from shareholders in respect of the grant of equity instruments of Belle International. The fair value of the shares awarded under the Belle International 2014 Share Award Scheme was determined with reference to the market prices of Belle International’s shares at the date of grant. For additional information about the Belle International 2014 Share Award Scheme and its impact on our financial statements, please see Note 3.21(d) and Note 13 of “Appendix I—Accountant’s Report of the Group” to this prospectus.

Other Income

Our other income mainly includes government incentives and rental income. Our government incentives include primarily periodic subsidies provided by various PRC government authorities to recognize our contribution to local economies’ development. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our other income was RMB43.7 million, RMB79.5 million, RMB203.9 million and RMB54.8 million, respectively.

The following table sets forth the breakdown of the major components of our other income for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>
Government incentives	41.3	0.2	77.1	0.3	198.3	0.6	23.5	0.3	49.5	0.5
Rental income	2.4	0.0	2.4	0.0	1.1	0.0	0.2	0.0	–	–
Others	–	–	–	–	4.5	0.0	–	–	5.3	0.1
Total	43.7	0.2	79.5	0.3	203.9	0.6	23.7	0.3	54.8	0.6

(Unaudited)

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Operating Profit and Operating Profit Margin

Our operating profit represents our profit before net finance costs and income tax. Our operating profit margin represents our operating profit as a percentage of our total revenue. The following table sets forth our operating profit and operating profit margins during the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	Operating Profit		Operating Profit		Operating Profit		Operating Profit		Operating Profit	
	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin	Amount	Margin
<i>RMB</i>		<i>RMB</i>		<i>RMB</i>		<i>RMB</i>		<i>RMB</i>		
<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>	<i>million</i>	<i>%</i>	
Operating Profit	1,939.9	8.9	2,252.0	8.5	3,236.8	9.9	880.3	11.1	1,084.3	12.1

(Unaudited)

Non-IFRS Measures—Adjusted Operating Profit and Adjusted Operating Profit Margin

Our adjusted operating profit represents our operating profit adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, and listing expenses. The following table sets forth the reconciliations of our adjusted operating profit for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	% of		% of		% of		% of		% of	
	<i>RMB</i>	<i>total</i>	<i>RMB</i>	<i>total</i>	<i>RMB</i>	<i>total</i>	<i>RMB</i>	<i>total</i>	<i>RMB</i>	<i>total</i>
<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	
Operating Profit for the period	1,939.9	8.9	2,252.0	8.5	3,236.8	9.9	880.3	11.1	1,084.3	12.1
Adding back:										
Share-based compensation expense	193.8	0.9	347.4	1.3	-	-	-	-	-	-
Amortization of intangible assets arising from business combination ⁽¹⁾	35.6	0.2	35.6	0.1	35.6	0.1	8.9	0.1	8.9	0.1
Listing expenses	-	-	-	-	10.0	0.0	-	-	33.1	0.4
Non-IFRS Measure—Adjusted operating profit for the period⁽²⁾	<u>2,169.3</u>	<u>10.0</u>	<u>2,635.0</u>	<u>9.9</u>	<u>3,282.4</u>	<u>10.1</u>	<u>889.2</u>	<u>11.2</u>	<u>1,126.3</u>	<u>12.6</u>

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Notes:

- (1) The amortization of our intangible assets arising from business combination is an adjustment item that is non-cash in nature. Our intangible assets arising from business combination are expected to be fully amortized by March 2020.
- (2) Our adjusted operating profit for the period is not calculated in accordance with IFRS, and it is considered a non-IFRS financial measure. We believe that adjusted operating profit is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow, and it allows investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measure a substitute for or superior to our IFRS results.

Finance Income

Our finance income includes interest income from structured and other bank deposits and foreign exchange gains. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our finance income was RMB41.7 million, RMB11.3 million, RMB20.0 million and RMB2.8 million, respectively.

The following table sets forth the breakdown of the major components of our finance income for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>
Interest income from bank deposits	4.7	0.0	7.1	0.0	14.8	0.1	2.2	0.0	2.8	0.0
Interest income from structured bank deposits	36.7	0.2	4.2	0.0	5.2	0.0	2.0	0.0	-	-
Foreign exchange gains	0.3	0.0	-	-	-	-	-	-	-	-
Total	41.7	0.2	11.3	0.0	20.0	0.1	4.2	0.1	2.8	0.0

From time to time during the Track Record Period, we placed our idle cash reserves in structured bank deposits, which had terms typically no longer than six months. These structured bank deposits were similar to term deposits, except that the relevant deposit banks would invest our deposits in a variety of underlying products and use the investment returns to fund interest payments payable to us. The underlying products of these structured bank deposits included bank deposits, treasury notes, corporate bonds, repos, shares of bond or money market funds, interbank loans and other money market instruments. We may continue to invest, from time to time, in structured bank deposits that we identify as having relatively high liquidity and low investment risk to obtain a reasonable return on our idle cash reserves.

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We have implemented internal treasury management and investment policies to oversee these investments. In accordance with our internal policies, we typically invest in structured bank deposits with terms not exceeding two years and that are withdrawable with proper notice, for the purpose of managing our liquidity risk. We only place these deposits with reputable, licensed financial institutions. Before making these investments, we consider primarily the amount of our idle cash reserves, our expected fund demands for our business operations, and terms of structured bank deposits offered by, and credit worthiness of, financial institutions. Our headquarters-level finance department prepares cash surplus reports based on budgets submitted by our subsidiaries. Our headquarters-level financial controller directs our headquarters and/or subsidiaries' finance departments to inquire about commercial terms of structured bank deposits with our major account banks. These finance departments then make investments as authorized by our headquarters- or subsidiary-level financial controllers, or our chief executive officer, depending on the amounts and terms of the proposed investments. These financial departments also manage the relevant investment risks and inspect the flow of funds for these investments to ensure the funds' safety. Our headquarters-level audit department will audit the investments of our idle cash reserves. Our headquarters-level financial controller has approximately 20 years of audit and financial management related experience, including treasury management and investment.

Finance Costs

Our finance costs include interest expense on short-term bank borrowings, interest expense on lease liabilities and foreign exchange losses. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our finance costs were RMB89.6 million, RMB149.5 million, RMB211.5 million and RMB61.5 million, respectively.

The following table sets forth the breakdown of the major components of our finance costs for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>
	<i>million</i>	<i>total</i>	<i>million</i>	<i>total</i>	<i>million</i>	<i>total</i>	<i>million</i>	<i>total</i>	<i>million</i>	<i>total</i>
		<i>revenue</i>		<i>revenue</i>		<i>revenue</i>		<i>revenue</i>		<i>revenue</i>
Interest expenses on short-term bank borrowings	-	-	16.0	0.0	32.0	0.1	10.0	0.1	13.8	0.2
Interest expenses on lease liabilities	89.6	0.4	131.3	0.5	179.2	0.5	37.9	0.5	47.7	0.5
Foreign exchange losses	-	-	2.2	0.0	0.3	0.0	-	-	-	-
Total	89.6	0.4	149.5	0.5	211.5	0.6	47.9	0.6	61.5	0.7

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Income Tax Expense

Our income tax expense mainly includes current and deferred tax expenses. For the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, our income tax expense was RMB574.7 million, RMB677.8 million, RMB845.5 million and RMB288.9 million, respectively. Our effective income tax rate was 30.4%, 32.1%, 27.8% and 28.2% in these respective periods.

The following table sets forth the breakdown of the major components of our income tax expense for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>	<i>RMB</i>	<i>% of</i>
	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>	<i>million</i>	<i>revenue</i>
Current income tax—PRC corporate income tax										
— Current year	566.5	2.6	623.4	2.3	740.5	2.3	240.2	3.1	309.5	3.5
— (Over)/under-provision in prior years	(3.7)	(0.0)	4.2	0.0	4.8	0.0	2.7	0.0	1.9	0.0
— Withholding tax on dividends	35.6	0.1	91.3	0.4	1.3	0.0	1.3	0.0	20.7	0.2
Deferred income taxes	(23.7)	(0.1)	(41.1)	(0.1)	98.9	0.3	(4.7)	(0.1)	(43.2)	(0.5)
Total	<u>574.7</u>	<u>2.6</u>	<u>677.8</u>	<u>2.6</u>	<u>845.5</u>	<u>2.6</u>	<u>239.5</u>	<u>3.0</u>	<u>288.9</u>	<u>3.2</u>

Pursuant to the rules and regulations of the Cayman Islands, our Company is not subject to any income or capital gains tax in the Cayman Islands.

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Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin

Our adjusted profit represents our net profit adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, net of deferred tax, and listing expenses. The following table sets forth the reconciliations of our adjusted profit for the periods indicated:

	For the year ended February 28,						For the three months ended May 31,			
	2017		2018		2019		2018		2019	
	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>total</i> <i>revenue</i>
Profit for the period	1,317.3	6.1	1,436.0	5.4	2,199.8	6.8	597.1	7.6	736.7	8.2
<i>Adding back:</i>										
Share-based compensation expense	193.8	0.9	347.4	1.3	-	-	-	-	-	-
Amortization of intangible assets arising from business combination, net of deferred tax ⁽¹⁾	26.7	0.1	26.7	0.1	26.7	0.1	6.7	0.1	6.7	0.1
Listing expenses	-	-	-	-	10.0	0.0	-	-	33.1	0.4
Non-IFRS Measure—Adjusted profit for the period⁽²⁾	1,537.8	7.1	1,810.1	6.8	2,236.5	6.9	603.8	7.7	776.5	8.7

Notes:

- (1) The amortization of our intangible assets arising from business combination is an adjustment item that is non-cash in nature. Our intangible assets arising from business combination are expected to be fully amortized by March 2020.
- (2) Our adjusted profit for the period is not calculated in accordance with IFRS, and it is considered a non-IFRS financial measure. We believe that adjusted profit is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow, and it allows investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measure a substitute for or superior to our IFRS results.

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PERIOD-TO-PERIOD COMPARISONS OF RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected of us for any future period.

	For the year ended February 28,			For the three months ended May 31,	
	2017	2018	2019	2018	2019
	<i>RMB in millions</i>				
	<i>(Unaudited)</i>				
Revenue					
Sale of goods	21,498.4	26,320.8	32,330.6	7,840.2	8,859.8
Concessionaire fee income	191.9	229.1	233.8	61.9	77.3
	<u>21,690.3</u>	<u>26,549.9</u>	<u>32,564.4</u>	<u>7,902.1</u>	<u>8,937.1</u>
Cost of sales	<u>(12,311.9)</u>	<u>(15,511.6)</u>	<u>(18,957.1)</u>	<u>(4,470.9)</u>	<u>(5,057.3)</u>
Gross profit	9,378.4	11,038.3	13,607.3	3,431.2	3,879.8
Selling and distribution expenses	(6,097.5)	(7,327.8)	(9,247.5)	(2,252.5)	(2,453.1)
General and administrative expenses	(1,384.7)	(1,538.0)	(1,293.2)	(322.1)	(397.2)
Impairment on trade receivables	–	–	(33.7)	–	–
Other income	43.7	79.5	203.9	23.7	54.8
	<u>1,939.9</u>	<u>2,252.0</u>	<u>3,236.8</u>	<u>880.3</u>	<u>1,084.3</u>
Operating profit	1,939.9	2,252.0	3,236.8	880.3	1,084.3
Finance income	41.7	11.3	20.0	4.2	2.8
Finance costs	(89.6)	(149.5)	(211.5)	(47.9)	(61.5)
	<u>1,892.0</u>	<u>2,113.8</u>	<u>3,045.3</u>	<u>836.6</u>	<u>1,025.6</u>
Profit before income tax	1,892.0	2,113.8	3,045.3	836.6	1,025.6
Income tax expense	(574.7)	(677.8)	(845.5)	(239.5)	(288.9)
	<u>1,317.3</u>	<u>1,436.0</u>	<u>2,199.8</u>	<u>597.1</u>	<u>736.7</u>
Profit for the period	<u>1,317.3</u>	<u>1,436.0</u>	<u>2,199.8</u>	<u>597.1</u>	<u>736.7</u>
Non-IFRS					
Measure—Adjusted operating profit for the period ⁽¹⁾	2,169.3	2,635.0	3,282.4	889.2	1,126.3
Non-IFRS					
Measure—Adjusted profit for the period ⁽²⁾	<u>1,537.8</u>	<u>1,810.1</u>	<u>2,236.5</u>	<u>603.8</u>	<u>776.5</u>

FINANCIAL INFORMATION

Notes:

- (1) Adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, and listing expenses. For a discussion of adjusted operating profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Operating Profit and Adjusted Operating Profit Margin.”
- (2) Adjusted to add back share-based compensation expense and amortization of intangible assets arising from business combination, net of deferred tax, and listing expenses. For a discussion of adjusted profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”

The Three Months Ended May 31, 2019 Compared with the Three Months Ended May 31, 2018

	For the three months ended May 31,				2019 vs.
	2018		2019		2018
	<i>RMB</i> <i>million</i> <i>(Unaudited)</i>	<i>% of</i> <i>revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>revenue</i>	<i>%</i>
Sale of goods	7,840.2	99.2	8,859.8	99.1	13.0
Concessionaire fee income	61.9	0.8	77.3	0.9	24.9
Revenue	7,902.1	100.0	8,937.1	100.0	13.1
Cost of sales	(4,470.9)	(56.6)	(5,057.3)	(56.7)	13.1
Gross profit	3,431.2	43.4	3,879.8	43.3	13.1
Selling and distribution expenses	(2,252.5)	(28.5)	(2,453.1)	(27.4)	8.9
General and administrative expenses	(322.1)	(4.1)	(397.2)	(4.4)	23.3
Other income	23.7	0.3	54.8	0.6	131.2
Operating profit	880.3	11.1	1,084.3	12.1	23.2
Finance income	4.2	0.1	2.8	0.0	(33.3)
Finance costs	(47.9)	(0.6)	(61.5)	(0.7)	28.4
Profit before income tax	836.6	10.6	1,025.6	11.4	22.6
Income tax expense	(239.5)	(3.0)	(288.9)	(3.2)	20.6
Profit for the period	597.1	7.6	736.7	8.2	23.4
Non-IFRS Measure—Adjusted operating profit for the period⁽¹⁾	889.2	11.2	1,126.3	12.6	26.7
Non-IFRS Measure—Adjusted profit for the period⁽²⁾	603.8	7.7	776.5	8.7	28.6

FINANCIAL INFORMATION

Notes:

- (1) Adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, and listing expenses. For a discussion of adjusted operating profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Operating Profit and Adjusted Operating Profit Margin.”
- (2) Adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, net of deferred tax, and listing expenses. For a discussion of adjusted profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”

Revenue

Our revenue increased by 13.1% from RMB7,902.1 million for the three months ended May 31, 2018 to RMB8,937.1 million for the same period of 2019. Our sale of goods increased by 13.0% from RMB7,840.2 million for the three months ended May 31, 2018 to RMB8,859.8 million for the same period of 2019, primarily due to the continued strong consumer demand for sportswear products and as a result of higher productivity of our existing stores and higher Gross Selling Area of our store network. These factors were offset in part by the negative effect of our strategic and accelerated closure of low-productivity and under-performing stores from May 31, 2018 to May 31, 2019. Please see “Business—Our Extensive Nationwide Directly-Operated Store Network” for more information on our plan to adjust and optimize our store network and our store closures. Our concessionaire fee income increased by 24.9% from RMB61.9 million for the three months ended May 31, 2018 to RMB77.3 million for the same period of 2019, primarily because our concessionaire fee is linked to the total sales of third-party-operated stores and counters in our Sports Cities, which increased during the same periods.

Cost of Sales

Our cost of sales increased by 13.1% from RMB4,470.9 million for the three months ended May 31, 2018 to RMB5,057.3 million for the three months ended May 31, 2019, generally as a result of our revenue growth.

Gross Profit

Our gross profit increased by 13.1% from RMB3,431.2 million for the three months ended May 31, 2018 to RMB3,879.8 million for the three months ended May 31, 2019. Our gross profit margin remained stable at 43.4% for the three months ended May 31, 2018 and 2019, respectively.

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Selling and Distribution Expenses

Our selling and distribution expenses increased by 8.9% from RMB2,252.5 million for the three months ended May 31, 2018 to RMB2,453.1 million for the same period of 2019, primarily due to (i) higher depreciation charges as our previously opened new stores under lease agreements resulted in a higher balance of right-of-use assets; (ii) higher staff costs as average remuneration increased; (iii) higher depreciation on leasehold improvements, as we opened stores and upgraded certain of our existing stores, and (iv) higher other expenses, including logistics expenses and online service fees in relation to our product sales. Our selling and distribution expenses as a percentage of our total revenue decreased from 28.5% for the three months ended May 31, 2018 to 27.4% for the same period of 2019, primarily due to our closure of low-productivity and under-performing stores.

General and Administrative Expenses

Our general and administrative expenses increased by 23.3% from RMB322.1 million for the three months ended May 31, 2018 to RMB397.2 million for the same period of 2019, primarily due to (i) an increase in other expenses, including primarily listing expenses, (ii) an increase in other tax expenses (such as urban maintenance and construction tax and educational surtax), and (iii) an increase in staff costs due to increases in average remuneration. Our adjusted general and administrative expenses increased by 13.4% from RMB313.2 million for the three months ended May 31, 2018 to RMB355.2 million for the same period of 2019.

Other Income

Our other income increased significantly from RMB23.7 million for the three months ended May 31, 2018 to RMB54.8 million for the same period of 2019, primarily as a result of an increase in government grants provided to us at the discretion of local government authorities.

Finance Income

Our finance income decreased by 33.3% from RMB4.2 million for the three months ended May 31, 2018 to RMB2.8 million for the same period of 2019, primarily because we did not have interest income from structured bank deposits in the three months ended May 31, 2019.

Finance Costs

Our finance costs increased by 28.4% from RMB47.9 million for the three months ended May 31, 2018 to RMB61.5 million for the same period of 2019, primarily as a result of (i) an increase in interest expense on our lease liabilities, as our previously opened new stores under lease agreements resulted in higher lease liabilities; and (ii) an increase in interest expense on our short-term bank borrowings.

FINANCIAL INFORMATION

Profit Before Income Tax

As a result of the foregoing, our profit before income tax increased by 22.6% from RMB836.6 million for the three months ended May 31, 2018 to RMB1,025.6 million for the same period of 2019.

Income Tax Expense

Our income tax expense increased by 20.6% from RMB239.5 million for the three months ended May 31, 2018 to RMB288.9 million in the same period of 2019, as our profit before income tax was higher. Our weighted average applicable corporate income tax rate decreased slightly from 24.6% for the three months ended May 31, 2018 to 23.4% for the three months ended May 31, 2019, primarily because the profit contributed by our subsidiaries that enjoyed preferential PRC enterprise income tax treatment accounted for a higher percentage of our profit before tax. Our overall effective income tax rate, which is calculated by dividing income tax expense for a period by profit before income tax for that period, decreased from 28.6% for the three months ended May 31, 2018 to 28.2% for the same period of 2019, primarily due to a decrease in our weighted average applicable corporate income tax rate, offset in part by an increase in our listing expenses, which are not deductible for tax purposes.

Profit for the Period

As a result of the foregoing, our profit increased by 23.4% from RMB597.1 million for the three months ended May 31, 2018 to RMB736.7 million for the same period of 2019. Our adjusted profit for the period increased by 28.6% from RMB603.8 million for the three months ended May 31, 2018 to RMB776.5 million for the same period of 2019.

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The Year Ended February 28, 2019 Compared with the Year Ended February 28, 2018

	For the year ended February 28,				2019 vs.
	2018		2019		2018
	<i>RMB</i> <i>million</i>	<i>% of</i> <i>Revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>Revenue</i>	<i>%</i> <i>Change</i>
Revenue					
Sale of goods	26,320.8	99.1	32,330.6	99.3	22.8
Concessionaire fee income	229.1	0.9	233.8	0.7	2.1
	26,549.9	100.0	32,564.4	100.0	22.7
Cost of sales	(15,511.6)	(58.4)	(18,957.1)	(58.2)	22.2
Gross profit	11,038.3	41.6	13,607.3	41.8	23.3
Selling and distribution expenses	(7,327.8)	(27.6)	(9,247.5)	(28.4)	26.2
General and administrative expenses	(1,538.0)	(5.8)	(1,293.2)	(4.0)	(15.9)
Impairment on trade receivables	–	–	(33.7)	(0.1)	–
Other income	79.5	0.3	203.9	0.6	156.5
Operating profit	2,252.0	8.5	3,236.8	9.9	43.7
Finance income	11.3	0.0	20.0	0.1	77.0
Finance costs	(149.5)	(0.5)	(211.5)	(0.6)	41.5
Profit before income tax	2,113.8	8.0	3,045.3	9.4	44.1
Income tax expense	(677.8)	(2.6)	(845.5)	(2.6)	24.7
Profit for the year	<u>1,436.0</u>	<u>5.4</u>	<u>2,199.8</u>	<u>6.8</u>	53.2
Non-IFRS Measure—Adjusted operating profit for the year⁽¹⁾	2,635.0	9.9	3,282.4	10.1	24.6
Non-IFRS Measure—Adjusted profit for the year⁽²⁾	<u>1,810.1</u>	<u>6.8</u>	<u>2,236.5</u>	<u>6.9</u>	23.6

Notes:

- (1) Adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, and listing expenses. For a discussion of adjusted operating profit for the year, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Operating Profit and Adjusted Operating Profit Margin.”

FINANCIAL INFORMATION

- (2) Adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, net of deferred tax, and listing expenses. For a discussion of adjusted profit for the year, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”

Revenue

Our revenue increased by 22.7% from RMB26,549.9 million for the year ended February 28, 2018 to RMB32,564.4 million for the year ended February 28, 2019. Our sale of goods increased by 22.8% from RMB26,320.8 million for the year ended February 28, 2018 to RMB32,330.6 million for the year ended February 28, 2019, primarily due to strong consumer demand for sportswear products and our ability to meet this demand by increasing the Gross Selling Area of our store network and increasing the productivity of our existing stores. Our concessionaire fee income remained relatively stable at RMB229.1 million for the year ended February 28, 2018 and RMB233.8 million for the year ended February 28, 2019.

Cost of Sales

Our cost of sales increased by 22.2% from RMB15,511.6 million for the year ended February 28, 2018 to RMB18,957.1 million for the year ended February 28, 2019, generally in line with our revenue growth in the same respective periods.

Gross Profit

Our gross profit increased by 23.3% from RMB11,038.3 million for the year ended February 28, 2018 to RMB13,607.3 million for the year ended February 28, 2019, which is generally in line with our revenue growth. Our gross profit margin remained relatively stable at 41.6% and 41.8% for the years ended February 28, 2018 and 2019, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 26.2% from RMB7,327.8 million for the year ended February 28, 2018 to RMB9,247.5 million for the year ended February 28, 2019, primarily because (i) our concessionaire expenses, which are typically linked to the sales in our stores under concessionaire agreements, increased as our revenue from sale of goods grew; (ii) we recognized higher depreciation charges as our previously opened new stores under lease agreements resulted in higher balance of right-of-use assets; (iii) relevant staff costs increased as a result of an increase in our frontline staff count and higher wages paid to our frontline staff in line with general wage inflation and higher performance commissions based on higher sales; (iv) we also recognized higher depreciation on leasehold improvements, as we opened stores and upgraded certain of our existing stores; and (v) we incurred higher other expenses, generally in line with our sales growth.

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General and Administrative Expenses

Our general and administrative expenses decreased by 15.9% from RMB1,538.0 million for the year ended February 28, 2018 to RMB1,293.2 million for the year ended February 28, 2019, primarily because for the year ended February 28, 2018 we recognized an RMB347.4 million share-based compensation expense in relation to the Belle International 2014 Share Award Scheme as part of our staff costs, while we did not recognize a similar expense for the year ended February 28, 2019. Save for this share-based compensation expense, our adjusted general and administrative expenses increased from RMB1,190.6 million for the year ended February 28, 2018 to RMB1,293.2 million for the year ended February 28, 2019, which represented an increase of 8.6%, primarily as a result of (i) an increase in our general and administrative staff count and general wage inflation; (ii) an increase in other tax expenses (such as urban maintenance and construction tax and educational surtax) as a result of our revenue growth; and (iii) an increase in other expenses, mainly including telecommunications expenses and professional service fees.

Impairment on Trade Receivables

We recorded impairment on trade receivables of RMB33.7 million for the year ended February 28, 2019 while we had no such impairment in the prior year. We recognized this impairment for the year ended February 28, 2019 because of the uncertainties in recoverability of overdue trade receivables owed to us by a department store.

Other Income

Our other income increased significantly from RMB79.5 million for the year ended February 28, 2018 to RMB203.9 million for the year ended February 28, 2019, primarily as a result of an increase in the government incentives we received, which were provided to us at the discretion of local government authorities.

Finance Income

Our finance income increased by 77.0% from RMB11.3 million for the year ended February 28, 2018 to RMB20.0 million for the year ended February 28, 2019, primarily due to higher interest income from bank deposits.

Finance Costs

Our finance costs increased by 41.5% from RMB149.5 million for the year ended February 28, 2018 to RMB211.5 million for the year ended February 28, 2019, primarily due to (i) an increase in interest expense on our lease liabilities, as our previously opened new stores under lease agreements resulted in higher lease liabilities; and (ii) an increase in interest expense on our bank borrowings.

FINANCIAL INFORMATION

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 44.1% from RMB2,113.8 million for the year ended February 28, 2018 to RMB3,045.3 million for the year ended February 28, 2019.

Income Tax Expense

Our income tax expense increased by 24.7% from RMB677.8 million for the year ended February 28, 2018 to RMB845.5 million for the year ended February 28, 2019, as our profit before income tax was higher. Our weighted average applicable corporate income tax rate remained stable at 23.4% and 23.5% for the years ended February 28, 2018 and 2019, respectively. Our overall effective income tax rate was 32.1% and 27.8% for the years ended February 28, 2018 and 2019, respectively. Our effective income tax rate was higher than weighted average applicable corporate income tax rate, primarily because some of our expenses are not deductible for tax purposes and due to the withholding tax that we incurred for our subsidiaries' dividend payments to their then equity holders. Our effective income tax rate decreased to 27.8% for the year ended February 28, 2019 compared to 32.1% in the prior year, primarily because our expenses not deductible for tax purposes decreased significantly for the year ended February 28, 2019 primarily because we incurred no share-based compensation expense for the year ended February 28, 2019, offset in part by an increase in provision for withholding tax on dividends.

Profit for the Year

As a result of the foregoing, our profit increased by 53.2% from RMB1,436.0 million for the year ended February 28, 2018 to RMB2,199.8 million for the year ended February 28, 2019. Our adjusted profit for the year increased by 23.6% from RMB1,810.1 million for the year ended February 28, 2018 to RMB2,236.5 million for the year ended February 28, 2019.

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The Year Ended February 28, 2018 Compared with the Year Ended February 28, 2017

	For the year ended February 28,				2018 vs.
	2017		2018		2017
	<i>RMB</i> <i>million</i>	<i>% of</i> <i>Revenue</i>	<i>RMB</i> <i>million</i>	<i>% of</i> <i>Revenue</i>	<i>%</i> <i>Change</i>
Revenue					
Sale of goods	21,498.4	99.1	26,320.8	99.1	22.4
Concessionaire fee income	191.9	0.9	229.1	0.9	19.4
	21,690.3	100.0	26,549.9	100.0	22.4
Cost of sales	(12,311.9)	(56.8)	(15,511.6)	(58.4)	26.0
Gross profit	9,378.4	43.2	11,038.3	41.6	17.7
Selling and distribution expenses	(6,097.5)	(28.1)	(7,327.8)	(27.6)	20.2
General and administrative expenses	(1,384.7)	(6.4)	(1,538.0)	(5.8)	11.1
Other income	43.7	0.2	79.5	0.3	81.9
Operating profit	1,939.9	8.9	2,252.0	8.5	16.1
Finance income	41.7	0.2	11.3	0.0	(72.9)
Finance costs	(89.6)	(0.4)	(149.5)	(0.5)	66.9
Profit before income tax	1,892.0	8.7	2,113.8	8.0	11.7
Income tax expense	(574.7)	(2.6)	(677.8)	(2.6)	17.9
Profit for the year	<u>1,317.3</u>	<u>6.1</u>	<u>1,436.0</u>	<u>5.4</u>	9.0
Non-IFRS Measure—Adjusted operating profit for the year⁽¹⁾	2,169.3	10.0	2,635.0	9.9	21.5
Non-IFRS Measure—Adjusted profit for the year⁽²⁾	<u>1,537.8</u>	<u>7.1</u>	<u>1,810.1</u>	<u>6.8</u>	17.7

Notes:

- (1) Adjusted to add back share-based compensation expense, amortization of intangible assets arising from business combination, and listing expenses. For a discussion of adjusted operating profit for the year, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Operating Profit and Adjusted Operating Profit Margin.”
- (2) Adjusted to add back share-based compensation expense and amortization of intangible assets arising from business combination, net of deferred tax, and listing expenses. For a discussion of adjusted profit for the year, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”

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Revenue

Our revenue increased by 22.4% from RMB21,690.3 million for the year ended February 28, 2017 to RMB26,549.9 million for the year ended February 28, 2018. Our sale of goods increased by 22.4% from RMB21,498.4 million for the year ended February 28, 2017 to RMB26,320.8 million for the year ended February 28, 2018, primarily due to strong consumer demand for sportswear products and our ability to meet this demand by increasing the Gross Selling Area of our store network and increasing the productivity of our existing stores. Our concessionaire fee income increased by 19.4% from RMB191.9 million for the year ended February 28, 2017 to RMB229.1 million for the year ended February 28, 2018, primarily because our concessionaire fee is linked to the total sales of third-party-operated stores and counters in our Sports Cities, which increased during the same period.

Cost of Sales

Our cost of sales increased by 26.0% from RMB12,311.9 million for the year ended February 28, 2017 to RMB15,511.6 million for the year ended February 28, 2018, generally in line with our revenue growth in the same period.

Gross Profit

Our gross profit increased by 17.7% from RMB9,378.4 million for the year ended February 28, 2017 to RMB11,038.3 million for the year ended February 28, 2018. Our gross profit margin decreased slightly from 43.2% for the year ended February 28, 2017 to 41.6% for the year ended February 28, 2018, primarily because during the year ended February 28, 2017, we sold sportswear products at lower-than-usual discounts to the MSRPs, supported by the then tighter-than-usual inventory levels in the sportswear retail industry.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 20.2% from RMB6,097.5 million for the year ended February 28, 2017 to RMB7,327.8 million for the year ended February 28, 2018, primarily because (i) our concessionaire and lease expenses increased in line with our revenue growth; (ii) we recognized higher depreciation charges as the number of our lease agreement stores increased substantially for the year ended February 28, 2018, which resulted in higher balance of right-of-use assets; (iii) relevant staff costs increased as a result of an increase in our frontline staff count and higher wages paid to our frontline staff due to general wage inflation and higher performance commissions; and (iv) we also recognized higher depreciation on leasehold improvements, as we opened stores and upgraded certain of our existing stores.

General and Administrative Expenses

Our general and administrative expenses increased by 11.1% from RMB1,384.7 million (including RMB193.8 million of share-based compensation) for the year ended February 28, 2017 to RMB1,538.0 million (including RMB347.4 million of share-based compensation) for

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the year ended February 28, 2018. Save for these share-based compensation expenses, our general and administrative expenses remained stable at RMB1,190.9 million and RMB1,190.6 million for the years ended February 28, 2017 and 2018, respectively.

Other Income

Our other income increased by 81.9% from RMB43.7 million for the year ended February 28, 2017 to RMB79.5 million for the year ended February 28, 2018, primarily as a result of an increase in the government incentives we received.

Finance Income

Our finance income decreased by 72.9% from RMB41.7 million for the year ended February 28, 2017 to RMB11.3 million for the year ended February 28, 2018, primarily because of the decrease in interest income from our structured bank deposits.

Finance Costs

Our finance costs increased by 66.9% from RMB89.6 million for the year ended February 28, 2017 to RMB149.5 million for the year ended February 28, 2018, primarily due to (i) an RMB41.7 million increase in interest expenses on our lease liabilities, as our previously opened new stores under lease agreements resulted in higher lease liabilities, and (ii) our incurrence of an RMB16.0 million in interest expense on our bank borrowing for the year ended February 28, 2018, which we did not have in the prior year.

Profit before Income Tax

As a result of the foregoing, our profit before income tax increased by 11.7% from RMB1,892.0 million for the year ended February 28, 2017 to RMB2,113.8 million for the year ended February 28, 2018.

Income Tax Expense

Our income tax expense increased by 17.9% from RMB574.7 million for the year ended February 28, 2017 to RMB677.8 million for the year ended February 28, 2018, as our profit before income tax was higher. Our weighted average applicable corporate income tax rate decreased slightly from 24.7% for the year ended February 28, 2017 to 23.4% for the year ended February 28, 2018, primarily because the profit contributed by our subsidiaries that enjoyed preferential PRC enterprise income tax treatment accounted for a higher percentage of our profit before tax for the year ended February 28, 2018. Our effective income tax rate increased from 30.4% for the year ended February 28, 2017 to 32.1% for the year ended February 28, 2018 primarily because (i) our expenses not deductible for tax purposes increased

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substantially for the year ended February 28, 2018 as a result of the higher share-based compensation expenses in respect of the Belle International 2014 Share Award Scheme; and (ii) we had higher withholding tax on dividends because our subsidiaries' dividend payments increased.

Profit for the Year

As a result of the foregoing, our profit increased by 9.0% from RMB1,317.3 million for the year ended February 28, 2017 to RMB1,436.0 million for the year ended February 28, 2018. Our adjusted profit for the year increased by 17.7% from RMB1,537.8 million for the year ended February 28, 2017 to RMB1,810.1 million for the year ended February 28, 2018.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Non-Current Assets and Liabilities

The following table sets forth our non-current assets and liabilities as of the dates indicated:

	As of February 28,			As of
	2017	2018	2019	May 31, 2019
	<i>RMB in millions</i>			
Non-current Assets				
Property, plant and equipment	811.9	980.4	1,115.6	1,030.7
Right-of-use assets	1,989.5	2,659.0	3,451.8	3,360.6
Land use rights	196.3	–	–	–
Investment properties	7.3	–	–	–
Intangible assets	1,112.1	1,076.5	1,144.8	1,132.8
Long-term deposits, prepayments and other receivables	151.6	178.3	214.9	245.1
Deferred income tax assets	86.3	118.5	128.4	187.6
	<hr/>	<hr/>	<hr/>	<hr/>
Total Non-current Assets	4,355.0	5,012.7	6,055.5	5,956.8

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	As of February 28,			As of
	2017	2018	2019	May 31,
	<i>RMB in millions</i>			2019
Non-current Liabilities				
Deferred income tax liabilities	27.4	18.5	127.3	143.3
Lease liabilities	1,348.0	1,786.6	2,301.1	2,199.6
Total Non-current Liabilities	1,375.4	1,805.1	2,428.4	2,342.9
Net Non-current Assets	2,979.6	3,207.6	3,627.1	3,613.9

Property, Plant and Equipment

Our property, plant and equipment primarily consist of leasehold improvements, furniture and fixtures and other equipment. The following table sets forth the carrying amount of our property, plant and equipment by category as of each date indicated:

	As of February 28,			As of
	2017	2018	2019	May 31,
	<i>RMB in millions</i>			2019
Buildings	62.8	–	–	–
Leasehold improvements	626.1	855.2	999.0	919.0
Furniture and fixtures and other equipment	105.6	107.5	97.2	91.2
Motor vehicles	17.4	17.7	19.4	20.5
Total	811.9	980.4	1,115.6	1,030.7

Our property, plant and equipment increased by 20.8% from RMB811.9 million as of February 28, 2017 to RMB980.4 million as of February 28, 2018, primarily because we opened stores and upgraded certain of our existing stores for the year ended February 28, 2018, resulting in an increase in our leasehold improvements. This increase was partially offset by a decrease in the carrying amount of buildings, as we sold our office building in Guangzhou upon the completion of the Reorganization in November 2018.

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Our property, plant and equipment increased by 13.8% from RMB980.4 million as of February 28, 2018 to RMB1,115.6 million as of February 28, 2019, primarily because we opened stores and upgraded certain of our existing stores for the year ended February 28, 2019, resulting in an increase in our leasehold improvements.

Our property, plant and equipment decreased by 7.6% from RMB1,115.6 million as of February 28, 2019 to RMB1,030.7 million as of May 31, 2019, primarily because the depreciation of our existing stores' leasehold improvements exceeded the increase in leasehold improvements resulting from our opening of new stores, as we typically open a relatively small number of stores in the first quarter of a year.

Right-of-Use Assets

We recognize right-of-use assets with respect to lease agreements in which we are the lessee, except for short-term leases and leases of low-value assets. These right-of-use assets are initially measured as the aggregate of the initial measurement of the corresponding lease liabilities of these leases based on the fixed lease payment amount or minimum lease payment amount, lease payments made at or before these leases' commencement dates, initial direct costs (if any), and restoration costs. The following table sets forth the changes in the carrying amount of our right-of-use assets during the Track Record Period:

	As of and for the year ended			As of and
	February 28,			for the three
	2017	2018	2019	months ended
	<i>RMB in millions</i>			May 31,
				2019
At the beginning of				
the period	1,064.6	1,989.5	2,659.0	3,451.8
Inception of lease contracts	1,573.5	1,696.2	2,172.2	295.2
Depreciation	(648.6)	(1,026.7)	(1,379.4)	(386.4)
At the end of the period	1,989.5	2,659.0	3,451.8	3,360.6

Our right-of-use assets increased by 33.7% from RMB1,989.5 million as of February 28, 2017 to RMB2,659.0 million as of February 28, 2018, and further increased by 29.8% to RMB3,451.8 million as of February 28, 2019, primarily because the number of our lease agreement stores increased substantially during the same years, resulting in a corresponding increase in our right-of-use assets. The increases in our right-of-use assets were partially offset by a higher depreciation of right-of-use assets.

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Our right-of-use assets decreased slightly from RMB3,451.8 million as of February 28, 2019 to RMB3,360.6 million as of May 31, 2019, primarily because the depreciation of our existing stores' right-of-use assets exceeded the increase in right-of-use assets resulting from our opening of new stores, as we typically open a relatively small number of stores in the first quarter of a year.

Intangible Assets

Our intangible assets primarily consist of goodwill, distribution and licenses contracts, and e-Sports licenses and contracts. The following table sets forth the breakdown of the major components of our intangible assets as of each date indicated:

	As of February 28,			As of
	2017	2018	2019	May 31, 2019
	<i>RMB in millions</i>			
Goodwill	1,002.4	1,002.4	1,002.4	1,002.4
Distribution and licenses contracts	109.7	74.1	38.5	29.6
E-Sports licenses and contracts	–	–	103.5	99.8
Others	–	–	0.4	1.0
	–	–	–	–
Total	1,112.1	1,076.5	1,144.8	1,132.8

Our intangible assets decreased by 3.2% from RMB1,112.1 million as of February 28, 2017 to RMB1,076.5 million as of February 28, 2018, primarily due to a decrease in distribution and licenses contracts as a result of our amortization of these intangible assets.

Our intangible assets increased by 6.3% from RMB1,076.5 million as of February 28, 2018 to RMB1,144.8 million as of February 28, 2019, primarily because we acquired e-Sports licenses and contracts in connection with our permanent league franchise rights in the LPL and the KPL. This increase was partially offset by a decrease in distribution and licenses contracts as a result of our amortization of these intangible assets.

Our intangible assets remained relatively stable at RMB1,144.8 million and RMB1,132.8 million as of February 28 and May 31, 2019, respectively.

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We conducted impairment review on our goodwill as of February 28, 2017, 2018 and 2019 according to IAS 36 “Impairment of Assets.” For the purposes of these impairment reviews, we determine the recoverable amount of goodwill based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by our management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of not more than 2%. The growth rates we use do not exceed the industry growth forecast for the market in which we operate.

Key assumptions used for our value-in-use calculations for impairment review purpose as of February 28, 2017, 2018 and 2019 are as follows:

	As at February 28		
	2017	2018	2019
Gross profit margin	42%	43%	42%
5 years annual growth rate	6%	6%	5%
Pre-tax discount rate	<u>16.9%</u>	<u>16.9%</u>	<u>16.7%</u>

The discount rates used are pre-tax and reflect market assessments of the time value and the specific risks relating to the industry. We determine the budgeted gross profit margins based on our past performance and our expectation for market development.

Any change in the assumptions that we select could materially affect the value-in-use calculations used in the impairment testing and therefore may result in an impairment charge to profit or loss.

As of February 28, 2017, 2018 and 2019, because the impairment assessments resulted in significant headroom of not less than 200% over the carrying amount of goodwill, based on the sensitivity analysis performed, we are not aware of any reasonably possible changes in a key assumption used that would cause a cash generating unit’s carrying amount to exceed its recoverable amount. As of May 31, 2019, we did not identify any impairment indicator of our goodwill.

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Current Assets and Liabilities

The following table sets forth our current assets and current liabilities by category as of the dates indicated:

	As of February 28,			As of	As of the
	2017	2018	2019	May 31,	Indebtedness
	<i>RMB in millions</i>			2019	Date
	<i>(Unaudited)</i>				
Current Assets					
Inventories	4,154.1	4,616.8	6,138.7	6,526.9	7,082.3
Trade receivables	1,858.9	2,633.3	2,517.8	2,413.6	1,846.2
Deposits, prepayments and other receivables	615.6	590.5	801.9	1,343.1	1,635.1
Amounts due from related companies	523.6	782.1	52.0	–	–
Bank balances and cash	674.3	463.6	650.5	762.7	516.5
Non-current assets held for sale	–	253.8	–	–	–
Total current assets	<u>7,826.5</u>	<u>9,340.1</u>	<u>10,160.9</u>	<u>11,046.3</u>	<u>11,080.1</u>
Current Liabilities					
Trade payables	336.5	390.7	642.0	411.0	1,138.2
Other payables, accruals and other liabilities	1,117.0	1,356.5	1,434.9	1,173.9	1,080.9
Amount due to related companies	3,499.0	5,319.9	3,560.2	3,355.2	3,363.4
Dividend payable	–	–	3,500.0	3,500.0	3,153.8
Short-term borrowings	–	400.0	1,300.0	1,998.2	1,100.0
Lease liabilities	504.8	698.0	999.8	1,011.0	1,029.2
Current income tax liabilities	454.6	601.2	402.3	524.2	640.7
Total current liabilities	<u>5,911.9</u>	<u>8,766.3</u>	<u>11,839.2</u>	<u>11,973.5</u>	<u>11,506.2</u>
Net current assets/(liabilities)	<u><u>1,914.6</u></u>	<u><u>573.8</u></u>	<u><u>(1,678.3)</u></u>	<u><u>(927.2)</u></u>	<u><u>(426.1)</u></u>

Our net current assets fluctuated significantly during the Track Record Period. The RMB1,340.8 million decrease in our net current assets as of February 28, 2018 compared to February 28, 2017 was primarily due to (i) an increase in amounts due to related companies, as a result of higher advances from our fellow subsidiaries, and (ii) our incurrence of short-term borrowings, partially offset by the increases in inventories and trade receivables. We had net current liabilities of RMB1,678.3 million as of February 28, 2019, compared to net current assets of RMB573.8 million as of February 28, 2018. This change was primarily due to (i) our declaration of a dividend of RMB3.5 billion to our shareholder on February 28, 2019, (ii) the increases in our short-term borrowings and (iii) the decrease in our amounts due from

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related companies; these factors were offset in part by (i) the increase in our inventories in line with our business growth and (ii) our repayment of certain amounts due to related companies, primarily advances from fellow subsidiaries. The RMB751.1 million decrease in our net current liabilities as of May 31, 2019 compared to February 28, 2019 was primarily attributable to the net profit of RMB736.7 million that we generated for the three months ended May 31, 2019.

Our net current liabilities position as of February 28, 2019 resulted primarily from our declaration of a dividend of RMB3.5 billion as discussed above. We had considerably improved this position as of May 31, 2019 as evidenced by the RMB751.1 million decrease in our net current liabilities, which was primarily attributable to our net profit of RMB736.7 million for the three months ended May 31, 2019. Our net current liabilities further decreased to RMB426.1 million as of the Indebtedness Date, primarily because we paid off part of our dividends payable and short-term borrowings with cash from our operations for the two months ended July 31, 2019. We also expect to improve our net current liabilities position after we use part of the net proceeds from the Global Offering to settle part of our current liabilities. Please see “Future Plans and Use of Proceeds” for more information.

Inventories

Our inventories consist of merchandise for sale and consumables.

The following table sets forth a summary of our total inventories as of each date indicated:

	As of February 28,			As of
	2017	2018	2019	May 31,
	<i>RMB in millions</i>			2019
Merchandise for sale and consumables	4,186.2	4,648.9	6,170.8	6,559.0
Less: provision for impairment losses	(32.1)	(32.1)	(32.1)	(32.1)
Total	<u>4,154.1</u>	<u>4,616.8</u>	<u>6,138.7</u>	<u>6,526.9</u>

Our inventories increased by 11.1% from RMB4,154.1 million as of February 28, 2017 to RMB4,616.8 million as of February 28, 2018, further increased by 33.0% to RMB6,138.7 million as of February 28, 2019, primarily due to our business growth. Our inventories increased by 6.3% from RMB6,138.7 million as of February 28, 2019 to RMB6,526.9 million as of May 31, 2019 to prepare for sale in spring and summer.

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Our provision balance for impairment losses remained at RMB32.1 million as of February 28, 2017, 2018 and 2019 and May 31, 2019. These provisions for impairment losses were primarily for inventories unsold for over five consecutive quarters.

The following table sets forth our inventory turnover days during the periods indicated:

	For the year ended February 28,			For the three months ended May 31,
	2017	2018	2019	2019
Inventory turnover days ⁽¹⁾	103.6	103.2	103.5	115.2

Note:

- (1) Inventory turnover days for each one-year period equals the average inventories at the beginning and the end of the financial year divided by cost of sales for that year and multiplied by 365 days, and inventory turnover days for a three-month period equals the average of the beginning and ending inventory for that period divided by cost of sales for that period and multiplied by 92 days.

Our inventory turnover days remained stable at 103.6 days, 103.2 days and 103.5 days for the years ended February 28, 2017, 2018 and 2019. Our inventory turnover days increased to 115.2 days for the three months ended May 31, 2019, primarily due to our procurement of inventories to prepare for sale in spring and summer.

As of the Indebtedness Date, RMB2,968.7 million, or 45.3%, of our inventory balance as of May 31, 2019 had been sold or utilized.

Trade receivables

During the Track Record Period, our trade receivables primarily consisted of those related to our concessionaire sales through department stores and shopping malls and those for our wholesale operations. Our receivables are generally collectible within 30 days from the invoice date.

Our trade receivables increased by 41.7% from RMB1,858.9 million as of February 28, 2017 to RMB2,633.3 million as of February 28, 2018, primarily because (i) we had a higher level of revenue; and (ii) the close proximity between the 2018 Chinese New Year and our financial year-end resulted in our higher level of trade receivables. Our trade receivables decreased by 4.4% from RMB2,633.3 million as of February 28, 2018 to RMB2,517.8 million as of February 28, 2019, primarily because (i) the percentage of our stores under concessionaire agreements decreased during the year ended February 28, 2019, resulting in lower concessionaire sales; and (ii) the timing of the relatively early 2019 Chinese New Year which resulted in our lower level of trade receivables. Our trade receivables decreased slightly from RMB2,517.8 million as of February 28, 2019 to RMB2,413.6 million as of May 31, 2019, primarily because we typically have higher sales around the Chinese New Year, resulting in relatively large trade receivables as of February 28, 2019.

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The following table sets forth the aging analysis, based on the invoice date, of our trade receivables as of the dates indicated:

	As of February 28,			As of
	2017	2018	2019	May 31, 2019
	<i>RMB in millions</i>			
0 to 30 days	1,791.0	2,518.6	2,301.8	2,248.7
31 to 60 days	39.2	43.9	101.1	63.8
61 to 90 days	19.2	28.7	18.8	25.5
Over 90 days	9.5	42.1	129.8	109.3
Gross total	<u>1,858.9</u>	<u>2,633.3</u>	<u>2,551.5</u>	<u>2,447.3</u>
Less loss allowance	—	—	(33.7)	(33.7)
Total	<u>1,858.9</u>	<u>2,633.3</u>	<u>2,517.8</u>	<u>2,413.6</u>

During the Track Record Period, a substantial majority of our trade receivables were aged within 30 days.

The table below sets forth our trade receivables turnover days for the periods indicated:

	For the year ended February 28,			For the
	2017	2018	2019	three months ended May 31, 2019
Trade receivables turnover days ⁽¹⁾	33.1	30.9	28.9	25.4

Note:

- (1) Trade receivables turnover days for each one-year period equals the average trade receivables at the beginning and the end of the financial year divided by revenue for that year and multiplied by 365 days, and trade receivables turnover days for a three-month period equals the average trade receivables at the beginning and the end of that period divided by revenue for that period and multiplied by 92 days.

Our trade receivables turnover days were 33.1 days, 30.9 days and 28.9 days for the years ended February 28, 2017, 2018 and 2019, respectively. The decreases in our trade receivables turnover days during the Track Record Period were mainly because we had a smaller percentage of concessionaire agreement stores in our store network. Our trade receivables turnover days decreased to 25.4 days primarily because we typically have higher sales around the Chinese New Year, resulting in relatively large trade receivables as of our financial year-end.

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As of the Indebtedness Date, we had collected RMB2,280.7 million, or 93.2%, of the outstanding balance amount of our trade receivables as of May 31, 2019.

Deposits, Prepayments and Other Receivables

During the Track Record Period, the current portion of our deposits, prepayments and other receivables consisted primarily of rental deposit and prepayments, value-added tax (“VAT”) recoverable, prepayment for purchase of goods, and other receivables and prepayments. Our sales of sportswear products are subject to Chinese VAT. Under the PRC law, input VAT on purchases can be deducted from output VAT payable. Our VAT recoverable is the net difference between output VAT and deductible input VAT as of the relevant date.

The following table sets forth the current portion of our deposits, prepayment and other receivables as of the dates indicated:

	As of February 28,			As of
	2017	2018	2019	May 31,
	<i>RMB in millions</i>			2019
Rental deposits	291.6	253.1	288.3	276.3
VAT recoverable	148.0	66.8	132.4	364.7
Prepayments for purchase	92.5	126.9	249.1	562.5
Other receivables and prepayments	83.5	143.7	132.1	139.6
Total	615.6	590.5	801.9	1,343.1

The current portion of our deposits, prepayments and other receivables remained stable at RMB615.6 million and RMB590.5 million as of February 28, 2017 and 2018, respectively. The current portion of our deposits, prepayments and other receivables increased by 35.8% to RMB801.9 million as of February 28, 2019 compared to that as of February 28, 2018, primarily due to (i) the increase in the prepayments for purchase of goods as our business grew, and (ii) the increase in the VAT recoverable. The current portion of our deposits, prepayments and other receivables increased by 67.5% to RMB1,343.1 million as of May 31, 2019 compared to RMB801.9 million as of February 28, 2019, primarily due to (i) an increase in our prepayments for purchase, as a result of our return of goods to certain brand partners in exchange for credit against future purchase payment, and (ii) an increase in VAT recoverable.

Trade Payables

Our trade payables primarily consist of payment for goods due to the brand partners. Our trade payables are generally non-interest-bearing and settled within 60 days of our suppliers’ delivery of the products to us.

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Our trade payables increased by 16.1% from RMB336.5 million as of February 28, 2017 to RMB390.7 million as of February 28, 2018, and further increased by 64.3% to RMB642.0 million as of February 28, 2019, generally in line with the growth of our inventory balance. Our trade payables decreased by 36.0% from RMB642.0 million as of February 28, 2019 to RMB411.0 million as of May 31, 2019, primarily due to seasonality in our product procurement and delivery cycles.

The following table sets forth an aging analysis of our trade payables as of the dates indicated, based on the invoice dates:

	As of February 28,			As of
	2017	2018	2019	May 31, 2019
	<i>RMB in millions</i>			
0 to 30 days	332.1	381.5	638.5	408.2
31 to 60 days	4.2	2.2	3.2	1.6
61 to 90 days	0.2	7.0	0.3	1.2
Total	<u>336.5</u>	<u>390.7</u>	<u>642.0</u>	<u>411.0</u>

During the Track Record Period, a substantial majority of our trade payables were aged within 30 days.

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended February 28,			For the
	2017	2018	2019	three months ended May 31, 2019
Trade payables turnover days ⁽¹⁾	8.5	8.6	9.9	9.6

Note:

- (1) Trade payables turnover days for each one-year period equals the average trade payables at the beginning and at the end of the financial year divided by cost of sales for that year and multiplied by 365 days, and trade payables turnover days for each three-month period equals the average trade payables at the beginning and at the end of that period divided by cost of sales for that period and multiplied by 92 days.

Our trade payables turnover days remained relatively stable at 8.5 days, 8.6 days, 9.9 days and 9.6 days for the years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, respectively.

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Other Payables, Accruals and Other Liabilities

The following table sets forth the breakdown of the major components of our other payables, accruals and other liabilities as of the dates indicated:

	As of February 28,			As of
	2017	2018	2019	May 31,
	<i>RMB in millions</i>			
Accrued wages, salaries, bonuses and staff welfare	320.4	385.5	320.3	241.5
VAT, business tax and other taxes payables	199.2	238.1	253.0	129.0
Customers' deposits	95.4	115.1	143.0	122.6
Other payables and accruals	118.1	127.2	170.8	203.4
Contract liabilities	383.9	490.6	547.8	477.4
Total	<u>1,117.0</u>	<u>1,356.5</u>	<u>1,434.9</u>	<u>1,173.9</u>

Our other payables, accruals and other liabilities increased by 21.4% from RMB1,117.0 million as of February 28, 2017 to RMB1,356.5 million as of February 28, 2018, primarily due to (i) the increase in the contract liabilities, mainly prepayments from the downstream retailers, as a result of our business expansion, (ii) the increase in the accrued wages, salaries, bonuses and staff welfare, and (iii) the increase in the VAT, business tax and other taxes payables.

Our other payables, accruals and other liabilities increased by 5.8% to RMB1,434.9 million as of February 28, 2019 compared to the end of the prior year, primarily due to (i) the increase in the contract liabilities and customers' deposits, mainly the prepayment for goods and deposits from the downstream retailers, respectively, and (ii) the increase in other payables and accruals as a result of our business expansion, which were partially offset by the decrease in the accrued wages, salaries, bonuses and staff welfare impacted by the timing of Chinese New Year.

Our other payables, accruals and other liabilities decreased by 18.2% to RMB1,173.9 million as of May 31, 2019 compared to the February 28, 2019, primarily due to (i) a decrease in VAT, business tax and other taxes payable, (ii) a decrease in accrued wages, salaries, bonuses and staff welfare, which were settled after our financial year-end, and (iii) a decrease in contract liabilities as we delivered products to downstream retailers, which offset their prepayments to us.

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Current Income Tax Liabilities

Our current income tax liabilities represent our Enterprise Income Tax payables at the end of the reporting period, which is the difference between the cumulative tax provision made and actual tax paid. Our current income tax liabilities amounted to RMB454.6 million, RMB601.2 million, RMB402.3 million and RMB524.2 million as of February 28, 2017, 2018 and 2019 and May 31, 2019, respectively. The changes in our current income tax liabilities during the Track Record Period were primarily because we paid these tax liabilities at different times in each financial year within the Track Record Period—typically, the less tax we actually pay within a financial year, the larger our current income tax liabilities will be as of the relevant financial year-end.

Net Assets

Our net assets decreased from RMB4,894.2 million as of February 28, 2017 to RMB3,781.4 million as of February 28, 2018, primarily because the sum of (i) dividends of RMB2,217.0 million paid by our subsidiaries to their then equity holders and (ii) repatriation of share-based compensation expense to Belle International of RMB679.2 million, exceeded the sum of (x) our net profit of RMB1,436.0 million and (y) share-based compensation expenses contributed by Belle International of RMB347.4 million in the year ended February 28, 2018. Our net assets further decreased from February 28, 2018 to RMB1,948.8 million as of February 28, 2019, primarily because the sum of (i) dividends of RMB3,500.0 million we declared to our shareholders and (ii) dividends of RMB574.3 million paid by our subsidiaries to their then equity holders exceeded our net profit of RMB2,199.8 million in the year ended February 28, 2019.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of and for the year ended February 28,						As of May 31,	
	2017		2018		2019		2019	
	<i>Non-IFRS Measure—</i>		<i>Non-IFRS Measure—</i>		<i>Non-IFRS Measure—</i>		<i>Non-IFRS Measure—</i>	
	<i>Actual</i>	<i>Adjusted</i>	<i>Actual</i>	<i>Adjusted</i>	<i>Actual</i>	<i>Adjusted</i>	<i>Actual</i>	<i>Adjusted</i>
Operating profit margin ⁽¹⁾	8.9%	10.0%	8.5%	9.9%	9.9%	10.1%	12.1%	12.6%
Net profit margin ⁽²⁾	6.1%	7.1%	5.4%	6.8%	6.8%	6.9%	8.2%	8.7%
Return on equity ⁽³⁾	26.6%	31.1%	33.1%	41.7%	76.8%	78.1%	N/A ⁽⁷⁾	N/A ⁽⁷⁾
Return on assets ⁽⁴⁾	11.5%	13.4%	10.8%	13.6%	14.4%	14.6%	N/A ⁽⁷⁾	N/A ⁽⁷⁾
Inventory turnover days ⁽⁵⁾	103.6	N/A	103.2	N/A	103.5	N/A	115.2	N/A
Gearing ratio ⁽⁶⁾	Net cash	N/A	Net cash	N/A	25.0%	N/A	31.5%	N/A

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Notes:

- (1) Operating profit margin represents operating profit for the period divided by revenue and multiplied by 100%. Adjusted operating profit margin represents adjusted operating profit for the period divided by revenue and multiplied by 100%. For a discussion of adjusted operating profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Operating Profit and Adjusted Operating Profit Margin.”
- (2) Net profit margin represents profit for the period divided by revenue and multiplied by 100%. Adjusted profit margin represents adjusted profit for the period divided by revenue and multiplied by 100%. For a discussion of adjusted profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”
- (3) Return on equity represents profit for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%. Adjusted return on equity represents adjusted profit for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%. For a discussion of adjusted profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”
- (4) Return on assets represents profit for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%. Adjusted return on assets represents adjusted profit for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%. For a discussion of adjusted profit for the period, see “—Description of Selected Profit or Loss Statement Line Items—Non-IFRS Measures—Adjusted Profit and Adjusted Profit Margin.”
- (5) Average inventories at the beginning and the end of the financial year divided by cost of sales for that year and multiplied by 365 days, and inventory turnover days for a three-month period equals the average of the beginning and ending inventory for that period divided by cost of sales for that period and multiplied by 92 days.
- (6) Net (cash)/debt divided by total capital. Net debt is calculated as short-term bank borrowings less bank balances and cash. Total capital is calculated as total equity plus net debt.
- (7) This three-month number is not meaningful as it is not comparable to the annual numbers.

Return on Equity

Our return on equity increased from 26.6% for the year ended February 28, 2017 to 33.1% for the year ended February 28, 2018, mainly because our profit for the year increased by RMB118.7 million as a result of our business growth, while our total equity decreased significantly because we paid RMB1,614.9 million in dividends to the then equity holders. Our return on equity further increased to 76.8% for the year ended February 28, 2019, mainly because we declared a dividend of RMB3.5 billion, which resulted in a decrease in our total equity, and because our profit for the year increased at a higher rate than did our total equity.

Non-IFRS Measure—Adjusted Return on Equity

Our adjusted return on equity increased from 31.1% for the year ended February 28, 2017 to 41.7% for the year ended February 28, 2018, mainly because our adjusted profit for the year increased by RMB272.3 million as a result of our business growth, while our total equity decreased significantly because we paid dividends to the then equity holders. Our adjusted

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return on equity further increased to 78.1% for the year ended February 28, 2019, mainly because we declared a dividend of RMB3.5 billion, which resulted in a decrease in our total equity, and because our adjusted profit for the year increased at a higher rate than did our total equity.

Return on Assets

Our return on assets decreased from 11.5% for the year ended February 28, 2017 to 10.8% for the year ended February 28, 2018, mainly because our profit for the year increased at a lower rate than did our total assets. Our return on assets increased to 14.4% for the year ended February 28, 2019, mainly because our profit for the year increased at a higher rate than did our total assets.

Non-IFRS Measure—Adjusted Return on Assets

Our adjusted return on assets remained relatively stable at 13.4%, 13.6% and 14.6% for the years ended February 28, 2017, 2018 and 2019, respectively.

Inventory Turnover Days

Our inventory turnover days remained stable at 103.6 days, 103.2 days and 103.5 days for the years ended February 28, 2017, 2018 and 2019, respectively. Our inventory turnover days for the three months ended May 31, 2019 increased to 115.2 days, primarily due to our procurement of inventories to prepare for sales in spring and summer.

Gearing Ratio

We had net cash as of February 28, 2017 and 2018. Our gearing ratio increased from 25.0% as of February 28, 2019 to 31.5% as of May 31, 2019, primarily because we incurred an additional RMB698.2 million short-term borrowings for working capital purposes during the three months ended May 31, 2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash during the Track Record Period were for purchases of inventories, concessionaire and lease expenses, payments for purchases of property, plant and equipment, dividends paid to equity holders and interests. We financed our liquidity requirements mainly through cash flows generated from our operating activities, as well as through short-term bank borrowings.

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The following table sets forth selected cash flow data from our consolidated statements of cash flows for the periods indicated:

	For the year ended			For the three	
	February 28,			months ended	
	2017	2018	2019	2018	2019
	<i>RMB in millions</i>				
	<i>(Unaudited)</i>				
Net cash generated from operating activities	1,828.6	2,676.8	3,146.2	75.6	125.2
Net cash generated from/(used in) investing activities	1,134.5	(742.0)	(982.5)	(501.6)	(111.2)
Net cash (used in)/generated from financing activities	<u>(2,772.9)</u>	<u>(2,545.5)</u>	<u>(1,776.8)</u>	<u>77.9</u>	<u>(600.0)</u>
Net increase/(decrease) in cash and cash equivalents	190.2	(610.7)	386.9	(348.1)	(586.0)
Cash and cash equivalents at beginning of the year/period	<u>484.1</u>	<u>674.3</u>	<u>63.6</u>	<u>63.6</u>	<u>450.5</u>
Cash and cash equivalents at end of the year/period	<u>674.3</u>	<u>63.6</u>	<u>450.5</u>	<u>(284.5)</u>	<u>(135.5)</u>
Cash and cash equivalents comprise of:					
Bank balances and cash	674.3	463.6	650.5	615.5	762.7
Bank overdrafts	<u>–</u>	<u>(400.0)</u>	<u>(200.0)</u>	<u>(900.0)</u>	<u>(898.2)</u>
	<u>674.3</u>	<u>63.6</u>	<u>450.5</u>	<u>(284.5)</u>	<u>(135.5)</u>

Cash Flow Generated from Operating Activities

For the three months ended May 31, 2019, we had net cash inflows generated from operating activities of RMB125.2 million, consisting of RMB1,671.4 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB1,336.0 million relating to changes in working capital and tax paid of RMB210.2 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB1,025.6 million, adjusted for non-cash items, including primarily to add back depreciation on

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right-of-use assets of RMB386.4 million, depreciation on property, plant and equipment of RMB184.0 million, and interest expense of RMB61.5 million. Our net cash outflows relating to changes in working capital were primarily attributable to an increase in other receivables, deposits and prepayments of RMB541.2 million, an increase in inventories of RMB388.2 million, a decrease in other payables, accruals and other liabilities of RMB250.6 million, and a decrease in trade payables of RMB231.0 million, which were offset in part by a decrease in trade receivables of RMB104.2 million.

For the year ended February 28, 2019, we had net cash inflows generated from operating activities of RMB3,146.2 million, consisting of RMB5,359.3 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB1,267.6 million relating to changes in working capital and tax paid of RMB945.5 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB3,045.3 million, adjusted for non-cash items, including primarily to add back depreciation on right-of-use assets of RMB1,379.4 million, depreciation on property, plant and equipment of RMB651.3 million, and interest expense of RMB211.2 million. Our net cash outflows relating to changes in working capital were primarily attributable to an increase in inventories of RMB1,406.2 million and an increase in other receivables, deposits and prepayments of RMB211.4 million, which were offset in part by an increase in trade payables of RMB229.9 million.

For the year ended February 28, 2018, we had net cash inflows generated from operating activities of RMB2,676.8 million, consisting of RMB4,201.9 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB952.8 million relating to changes in working capital and tax paid of RMB572.3 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB2,113.8 million, adjusted for non-cash items, including primarily to add back depreciation on right-of-use assets of RMB1,026.7 million, depreciation on property, plant and equipment of RMB523.0 million, and share-based compensation expense in respect of the Belle International 2014 Share Award Scheme of RMB347.4 million. Our net cash outflows relating to changes in working capital were primarily attributable to an increase in trade receivables of RMB774.4 million and an increase in inventories of RMB462.7 million, which were offset in part by an increase in other payables, accruals and other liabilities of RMB239.5 million.

For the year ended February 28, 2017, we had net cash inflows generated from operating activities of RMB1,828.6 million, consisting of RMB3,206.2 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB762.6 million relating to changes in working capital and tax paid of RMB615.0 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before income tax of RMB1,892.0 million, adjusted for non-cash items, including primarily to add back depreciation on right-of-use assets of RMB648.6 million, depreciation on property, plant and equipment of RMB372.3 million, and share-based compensation expense in respect of the share award scheme of RMB193.8 million. Our net cash outflows relating to changes in working capital were primarily attributable to an

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increase in inventories of RMB1,320.4 million, which was offset in part by an increase in other payables, accruals and other liabilities of RMB420.1 million and a decrease in trade receivables of RMB215.6 million.

Cash Flow Generated from/Used in Investing Activities

For the three months ended May 31, 2019, our net cash flows used in investing activities were RMB111.2 million. This was mainly attributable to our payments for purchase of property, plant and equipment of RMB121.5 million.

For the year ended February 28, 2019, our net cash flows used in investing activities were RMB982.5 million. This was mainly attributable to (i) our payments for purchase of property, plant and equipment of RMB917.9 million and (ii) RMB94.3 million in payments for acquisition of a retail business from an Independent Third Party.

For the year ended February 28, 2018, our net cash flows used in investing activities were RMB742.0 million. This was mainly attributable to our payments for purchase of property, plant and equipment of RMB763.2 million.

For the year ended February 28, 2017, our net cash flows generated from investing activities were RMB1,134.5 million. This was mainly attributable to our proceeds from maturity of structured bank deposits of RMB2,557.8 million, offset in part by (i) our placement of structured bank deposits of RMB860.0 million, and (ii) our payments for purchase of property, plant and equipment of RMB609.7 million.

Cash Flow Used in Financing Activities

For the three months ended May 31, 2019, our net cash flows used in financing activities were RMB600.0 million. This was mainly attributable to (i) our payment for lease liabilities of RMB433.2 million and (ii) changes in balances with related companies of RMB153.0 million.

For the year ended February 28, 2019, our net cash flows used in financing activities were RMB1,776.8 million. This was primarily attributable to (i) our payment for lease liabilities of RMB1,535.1 million, (ii) changes in balances with related companies of RMB862.1 million, and (iii) our dividends paid to then-equity holders of RMB574.3 million, offset in part by (i) our proceeds from short-term bank borrowings of RMB1,100.0 million and (ii) our proceeds from disposals of non-current assets held for sale of RMB126.7 million.

For the year ended February 28, 2018, our net cash flows used in financing activities were RMB2,545.5 million. This was primarily attributable to (i) our subsidiaries' dividends paid to their then equity holders of RMB2,217.0 million, and (ii) payment of lease liabilities of RMB1,195.7 million, offset in part by changes in balances with related companies of RMB883.2 million.

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For the year ended February 28, 2017, our net cash flows used in financing activities were RMB2,772.9 million. This was attributable to (i) our subsidiaries' dividends paid to their then equity holders of RMB1,614.9 million, (ii) payment of lease liabilities of RMB759.2 million, (iii) our repayment of short-term bank borrowings of RMB229.0 million and (iv) changes in balances with related companies of RMB169.8 million.

INDEBTEDNESS

Short-term bank borrowings

	As of February 28,			As of	As of the
	2017	2018	2019	May 31,	Indebtedness
	<i>RMB in millions</i>			<i>2019</i>	<i>Date</i>
	<i>(Unaudited)</i>				
Bank loans	–	–	1,100.0	1,100.0	1,100.0
Bank overdrafts	–	400.0	200.0	898.2	–
Total	–	400.0	1,300.0	1,998.2	1,100.0

As of the Latest Practicable Date, our aggregate short-term bank borrowings amounted to RMB2.0 billion.

As of the Indebtedness Date, our bank loans amounted to RMB1,100.0 million. The weighted average interest rate of these short-term borrowings was 4.34% per annum.

As of May 31, 2019, our bank loans amounted to RMB1,100.0 million and our bank overdrafts amounted to RMB898.2 million. The weighted average interest rate of these short-term borrowings was 4.5% per annum.

As of February 28, 2019, our bank loans amounted to RMB1,100.0 million and our bank overdrafts amounted to RMB200.0 million. The weighted average interest rate of these short-term borrowings was 4.5% per annum.

As of February 28, 2018, our bank overdrafts amounted to RMB400.0 million. The weighted average interest rate of these short-term borrowings was 4.5% per annum.

All the bank loans and bank overdrafts as indicated above were unsecured.

As of February 28, 2017, we did not have any short-term bank borrowings.

During the Track Record Period, we did not have any material default on our short-term bank borrowings.

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Lease liabilities

The following table sets forth our lease liabilities as of the dates indicated:

	As of February 28,			As of	As of the
	2017	2018	2019	May 31, 2019	Indebtedness Date
	<i>RMB in millions</i>				<i>(Unaudited)</i>
Current	504.8	698.0	999.8	1,011.0	1,029.2
Non-current	<u>1,348.0</u>	<u>1,786.6</u>	<u>2,301.1</u>	<u>2,199.6</u>	<u>2,125.9</u>
Total	<u><u>1,852.8</u></u>	<u><u>2,484.6</u></u>	<u><u>3,300.9</u></u>	<u><u>3,210.6</u></u>	<u><u>3,155.1</u></u>

For information on our lease liabilities, please see “—Significant Accounting Policies, Judgments and Estimates—Accounting for Leases.”

Amounts due to related companies

The following table sets forth our amounts due to related parties as of the dates indicated:

	As of February 28,			As of	As of the
	2017	2018	2019	May 31, 2019	Indebtedness Date
	<i>RMB in millions</i>				<i>(Unaudited)</i>
Belle International	3,124.0	3,096.9	3,355.0	3,354.5	3,363.3
Fellow subsidiaries	<u>375.0</u>	<u>2,223.0</u>	<u>205.2</u>	<u>0.7</u>	<u>0.1</u>
Total	<u><u>3,499.0</u></u>	<u><u>5,319.9</u></u>	<u><u>3,560.2</u></u>	<u><u>3,355.2</u></u>	<u><u>3,363.4</u></u>

As of the Indebtedness Date, our amounts due to related companies were RMB3,363.4 million. These amounts were primarily non-trade in nature, and they were unsecured, interest-free and repayable on demand. For information on our amounts due to related parties as of February 28, 2017, 2018 and 2019 and May 31, 2019, respectively, please see “—Material Related Party Transactions.”

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Dividend payable

We had a dividend payable of RMB3.5 billion as of February 28 and May 31, 2019, as a result of our declared and unpaid dividend to our sole shareholder, Belle Sports. We had paid RMB1,598.0 million of this dividend as of the Latest Practicable Date. We did not have any dividend payable as of February 28, 2017 or 2018. As of the Latest Practicable Date, the balance of our dividend payable was RMB1,902.0 million. Please see “—Dividend Policy” for more information.

Indebtedness statement

We had unutilized banking facilities of RMB1.7 billion as of the Indebtedness Date. As of the Indebtedness Date, other than as disclosed in this prospectus, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities. Since the Indebtedness Date, there has been no material adverse change in our indebtedness.

CONTINGENT LIABILITIES

We did not have any material contingent liabilities as of February 28, 2017, 2018 or 2019 or May 31, 2019.

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended February 28,			For the three months ended May 31,	
	2017	2018	2019	2018	2019
	<i>RMB in millions</i>				
	<i>(Unaudited)</i>				
Purchases of property, plant and equipment	586.9	771.0	812.8	105.8	109.5
Purchases of intangible assets	—	—	108.6	—	0.6
Total	<u>586.9</u>	<u>771.0</u>	<u>921.4</u>	<u>105.8</u>	<u>110.1</u>

Our capital expenditures during the Track Record Period primarily included expenditures for property, plant and equipment, which were related primarily to the costs of leasehold improvement, furniture and fixtures and other equipment that we incurred for opening new stores and upgrading our existing stores, and purchase of e-Sports licenses and contracts. During the Track Record Period, we financed our capital expenditures mainly with cash flows generated from our operating activities.

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CONTRACTUAL OBLIGATIONS

Short-Term Leases and Not-Yet-Commenced Leases

Our contractual obligations primarily relate to the short-term leases and not-yet-commenced leases for our stores. As of February 28, 2017, 2018 and 2019 and May 31, 2019, the total future lease payments for our short-term leases amounted to RMB98.9 million, RMB116.7 million, RMB119.8 million and RMB99.0 million, respectively. As of these dates, our leases committed but not yet commenced were relatively insignificant.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any material off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

The following table sets forth amounts due from and to related companies as of the dates indicated:

	As of February 28,			As of
	2017	2018	2019	May 31,
	<i>RMB in millions</i>			2019
Amounts due from fellow subsidiaries	523.6	782.1	52.0	–
Amounts due to related companies:				
—Belle International	3,124.0	3,096.9	3,355.0	3,354.5
—Fellow subsidiaries	375.0	2,223.0	205.2	0.7
Total	3,499.0	5,319.9	3,560.2	3,355.2

As of February 28, 2017, 2018 and 2019 and May 31, 2019, our amounts due from fellow subsidiaries were RMB523.6 million, RMB782.1 million, RMB52.0 million and nil, respectively. These amounts were primarily non-trade in nature; and they were unsecured, interest-free and repayable on demand, primarily consisting of our advances to fellow subsidiaries, as well as receivable in respect of our sales of children's sportswear products to a fellow subsidiary. The amounts due from fellow subsidiaries increased by 49.4% as of February 28, 2018 compared to the prior year-end, primarily due to our higher advances to fellow subsidiaries. The amounts due from fellow subsidiaries decreased by 93.4% as of February 28, 2019 compared to February 28, 2018 and further decreased to nil as of May 31, 2019, primarily because fellow subsidiaries settled significant advances from us.

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As of February 28, 2017, 2018, 2019 and May 31, 2019, our amounts due to related companies were RMB3,499.0 million, RMB5,319.9 million, RMB3,560.2 million and RMB3,355.2 million, respectively. These amounts were primarily non-trade in nature; and they were unsecured, interest-free and repayable on demand. Our amounts due to related companies included primarily advances from Belle International and advances from fellow subsidiaries. The amounts due to related companies increased by 52.0% as of February 28, 2018 compared to the end of the prior year, primarily due to an increase in our advances from fellow subsidiaries. The amounts due to related companies decreased by 33.1% as of February 28, 2019 compared to the end of the prior year, primarily because of our repayment of advances from fellow subsidiaries, offset in part by an increase in the advances from Belle International. The amounts due to related companies decreased by 5.8% as of May 31, 2019 compared to February 28, 2019, primarily because of our repayment of rental and logistics service fees to fellow subsidiaries. For more information on our related party transactions, please see Note 33 to “Appendix I—Accountant’s Report of the Group” to this prospectus.

Our Directors confirm that all related-party transactions during the Track Record Period were entered into on normal commercial terms. Substantially all of our amounts due from and to related parties as of February 28, 2017, 2018 and 2019 and May 31, 2019 were non-trade in nature. We will settle all the amounts due to related parties, which were RMB3,363.4 million as of the Indebtedness Date, upon Listing. Please see “Connected Transactions” and Note 33 to “Appendix I—Accountant’s Report of the Group” to this prospectus for more information on our related-party transactions.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk. Our Directors confirm that, since May 31, 2019, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in “Appendix I—Accountant’s Report of the Group” to this prospectus.

Foreign Exchange Risk

We mainly operate in China with most of our transactions originally denominated and settled in RMB. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not our functional currency. We are exposed to foreign exchange risk from fluctuation of various currencies, primarily with respect to Hong Kong dollars mainly for our payments of dividends to shareholders.

We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage our exposure against Hong Kong dollars and to mitigate the impact on exchange rate fluctuations. During the Track Record Period, we did not enter into any forward foreign exchange contracts.

FINANCIAL INFORMATION

Cash Flow and Fair Value Interest Rate Risks

We have no significant interest-bearing assets except for the cash at banks, details of which have been disclosed in Note 24 in “Appendix I—Accountant’s Report of the Group” to this prospectus. Our exposure to changes in interest rates is also attributable to our short-term borrowings, details of which have been disclosed in Note 28 in “Appendix I—Accountant’s Report of the Group” to this prospectus. Borrowings carried at floating rates expose us to cash flow interest rate risk, whereas those carried at fixed rates expose us to fair value interest rate risk. As of February 28, 2017, 2018 and 2019 and May 31, 2019, our borrowings were carried at floating rates and exposed us to cash flow interest rate risk. We have not used any interest rate swaps to hedge our exposure against cash flow interest rate risks.

Our Directors are of the opinion that any reasonable changes in interest rate would not result in any significant impact on our results of operations.

Credit Risk

We have no significant concentrations of credit risk. The carrying amounts of trade receivables, other receivables, amounts due from related companies, cash at banks, and rental deposits included in the consolidated balance sheets represent our maximum exposure to credit risk in relation to our financial assets.

We have policies in place to ensure that sales on credit terms are only made to customers with an appropriate credit history and we perform periodic credit evaluations of our customers. Our concessionaire sales to consumers through department stores and shopping malls are generally collectible within 30 days from the invoice date, while sales to downstream retailers are generally on credit terms within 30 days. Normally we do not require collateral from trade debtors. To our knowledge, our existing debtors have no significant defaults in the past. Our historical experience in collection of trade and other receivables falls within the recorded allowances, and our Directors are of the opinion that sufficient provision for loss allowance has been made during the Track Record Period.

As of February 28, 2017, 2018 and 2019 and May 31, 2019, substantially all of our bank balances and term deposits with banks, as detailed in Note 24 in “Appendix I—Accountant’s Report of the Group” to this prospectus, are held in major financial institutions located in the PRC, which our management believes are of high credit quality. We have a policy to limit the amount of credit exposure to any financial institution and our management does not expect any loss arising from non-performance by these counterparties.

Liquidity Risk

We are exposed to liquidity risk. We regularly monitor our current and expected liquidity requirements to ensure that we maintain sufficient cash and cash equivalents and that we have available funding through adequate amount of committed credit facilities to meet our working capital requirements.

FINANCIAL INFORMATION

As of February 28, 2017, 2018 and 2019 and May 31, 2019, except for our lease liabilities, our financial liabilities are all due for settlement contractually within 12 months, and the contractual undiscounted cash outflow of our financial liabilities approximates their carrying amounts included in the consolidated balance sheets. For details of the remaining contractual maturities of our lease liabilities based on the contractual undiscounted cash flows during the Track Record Period, see Note 4.1(d) in “Appendix I—Accountant’s Report of the Group” to this prospectus.

DIVIDEND POLICY

PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including IFRSs. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. These portions of our subsidiaries’ net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future. Since we rely on our Chinese subsidiaries’ dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Cayman Companies Law. Our Shareholders in general meetings may approve any declaration of dividends, which may not exceed the amount recommended by our Board. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors’ discretion. Dividends may also be declared and paid out of our share premium account or any other fund or account that can be authorized for such purpose in accordance with the Cayman Companies Law and our Articles of Association.

Our subsidiaries paid dividends of RMB1,614.9 million, RMB2,217.0 million and RMB574.3 million to their then-shareholders for the years ended February 28, 2017, 2018 and 2019, respectively. For the year ended February 28, 2019, our Company declared RMB3.5 billion in dividend to our sole shareholder, Belle Sports, and we had paid RMB1,598.0 million of this dividend as of the Latest Practicable Date. We plan to pay off the remaining amount of this dividend within one year following the Listing Date using internally generated funds, potentially net proceeds from the Global Offering and, if needed, external borrowings. See “Future Plans and Use of Proceeds—Use of Proceeds” for more information.

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Any future declaration or payment of dividends may or may not reflect our prior practice, and any dividend recommendation will be at the discretion of our Board, subject to the Cayman Companies Law and our Articles of Association. Our Directors may declare dividends after taking into account our results of operations, our financial condition, strategies or needs of future expansions, our capital expenditure needs, dividends paid to us by our subsidiaries, legal and contractual restrictions, and other factors as our Directors may deem relevant at such time. Subject to the above limitations, we expect that we may, from time to time, pay dividends of approximately 50% of our annual net profit attributable to the equity holders of our Company. We may, however, adjust the dividend amount for one-off or non-cash items impacting our net profit.

WORKING CAPITAL

Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, our cash and cash equivalents, our available banking facilities and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

LISTING EXPENSES

We incurred approximately HK\$47.6 million of listing expenses during the Track Record Period, which were recognized as expenses. We expect to incur approximately HK\$253.3 million of listing expenses (including underwriting commissions and assuming the discretionary incentive fee will be paid in full) after the Track Record Period, of which approximately HK\$226.1 million will be capitalized and HK\$27.2 million will be recognized as expenses after the Listing for the year ending February 29, 2020.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at May 31, 2019 as if the Global Offering had taken place on that date.

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This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the equity holders of our Company as at May 31, 2019 or any subsequent dates, including following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as of May 31, 2019 (Note 1)	Estimated net proceeds from the Global Offering RMB in millions (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the equity holders of our Company as of May 31, 2019	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB HK\$ (Note 3) (Note 4)	
Based on an Offer Price of HK\$8.30 per Share	1,553.9	6,775.3	8,329.2	1.34	1.48
Based on an Offer Price of HK\$10.10 per Share	1,553.9	8,252.2	9,806.1	1.58	1.75

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to equity holders of our Company as of May 31, 2019 is extracted from “Appendix I—Accountant’s Report of the Group” to this prospectus, which is based on the audited consolidated equity attributable to equity holders of our Company as of May 31, 2019 of RMB2,686.7 million, after deducting our intangible assets attributable to the equity holders of our Company of RMB1,132.8 million as at May 31, 2019.
- (2) The estimated net proceeds from the Global Offering are based on 930,184,000 Offer Shares and the indicative Offer Price of HK\$8.30 per Offer Share and HK\$10.10 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of HK\$47.6 million which had been accounted for in the consolidated statement of profit or loss up to May 31, 2019).
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,201,222,024 Shares were in issue assuming that the Global Offering and the Capitalization Issue have been completed on May 31, 2019 but does not take into account of any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to the directors to issue or repurchase Shares as described in the section headed “Share Capital” in this prospectus.
- (4) For the purpose of the unaudited pro forma statement of adjusted net tangible assets, the translation of RMB into HK\$ was at rate of RMB0.90478 to HK\$1.00000.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets per Share to reflect any trading results or other transactions of our Group entered into subsequent to February 28, 2019.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position of our Group since May 31, 2019 and up to the date of this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising one executive Director, five non-executive Directors and three independent non-executive Directors. The table below sets forth certain information of each of our Directors:

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Mr. Yu Wu (于武)	52	Executive Director and chief executive officer	June 2006	September 5, 2018	Responsible for the overall strategic planning of our Group and the management of our Group's business
Mr. Sheng Baijiao (盛百椒)	67	Chairman and non-executive Director	June 2006	June 20, 2019	Responsible for providing advice on business development of our Group and participating in decision making of important matters of our Group
Mr. Sheng Fang (盛放)	46	Non-executive Director	June 2006	June 20, 2019	Responsible for participating in decision making of important matters of our Group
Mr. Chow Kyan Mervyn (周紀恩)	47	Non-executive Director	June 2019	June 20, 2019	Responsible for participating in decision making of important matters of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Time of joining our Group	Date of appointment as Director	Roles and responsibilities
Ms. Yung Josephine Yuen Ching (翁婉菁)	36	Non-executive Director	June 2019	June 20, 2019	Responsible for participating in decision making of important matters of our Group
Ms. Hu Xiaoling (胡曉玲)	49	Non-executive Director	June 2006	June 20, 2019	Responsible for participating in decision making of important matters of our Group
Mr. Lam Yiu Kin (林耀堅)	64	Independent non-executive Director	Date of this prospectus	June 20, 2019 ⁽¹⁾	Responsible for supervising and providing independent judgment to our Board
Mr. Hua Bin (華彬)	47	Independent non-executive Director	Date of this prospectus	June 20, 2019 ⁽¹⁾	Responsible for supervising and providing independent judgment to our Board
Mr. Huang Victor (黃偉德)	48	Independent non-executive Director	Date of this prospectus	June 20, 2019 ⁽¹⁾	Responsible for supervising and providing independent judgment to our Board

Note:

(1) Effective on the date of this prospectus

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. YU Wu (于武), aged 52, is the executive Director and chief executive officer of our Company. Mr. Yu joined our Group in June 2006 and was appointed as a Director in September 2018 and was re-designated as our executive Director and chief executive officer on June 20, 2019. He is primarily responsible for the overall strategic planning of our Group and the management of our Group's business. Mr. Yu is currently a director of a number of our subsidiaries such as Topsports Investments (Shanghai) Company Limited (滔搏投資(上海)有限公司). He is also the chairman of the Nomination Committee and a member of the Remuneration Committee.

Mr. Yu has more than 27 years of experience in the footwear and sportswear business. Since our acquisition by Belle International from its then affiliate in June 2006, Mr. Yu was responsible for overseeing the sportswear business of Belle International in the Greater Shandong and Henan Region and was appointed in 2015 as the president of the sportswear business of Belle International which now forms part of our Group. In July 2015, he was appointed as a director of Belle International which was listed on the Main Board of the Stock Exchange until the Privatization in July 2017.

Mr. Yu graduated from Shandong Jianzhu University (山東建築大學) (formerly known as Shandong Institute of Architectural Engineering (山東建築工程學院)) in June 1989 with a bachelor of engineering in civil engineering.

Non-Executive Directors

Mr. SHENG Baijiao (盛百椒), aged 67, joined our Group since June 2006 and was appointed as a non-executive Director on June 20, 2019 and the chairman of our Board on September 6, 2019. Mr. Sheng is primarily responsible for providing advice on business development of our Group and participating in decision making of important matters of our Group. He is an uncle of Mr. Sheng Fang, another non-executive Director.

Mr. Sheng has more than 28 years of experience in the footwear industry. He joined the Belle International Group in 1991 and has been responsible for high-level strategic planning and management of retail sales of its footwear business. Mr. Sheng has been a director and the chief executive officer of Belle International which was listed on the Main Board of the Stock Exchange from May 2007 to July 2017. Mr. Sheng is currently the chairman of the Shenzhen Leather Association.

Mr. SHENG Fang (盛放), aged 46, joined our Group in June 2006 and was appointed as a non-executive Director on June 20, 2019. Mr. Sheng is primarily responsible for participating in decision making of important matters of our Group. He is a nephew of Mr. Sheng Baijiao, another non-executive Director.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sheng has more than 20 years of experience in the management of footwear business. He has been primarily responsible for the operation management of Belle International Group's footwear and apparel business and has been the president of the apparel business division and the president of the footwear business division of Belle International Group since November 2015 and July 2017, respectively.

Mr. Sheng was appointed as a director of Belle International in May 2011 which was listed on the Main Board of the Stock Exchange until the Privatization in July 2017. He has also been a non-executive director of Baroque Japan Limited (a company listed on Tokyo Stock Exchange, stock code: 35480) since August 2013.

Mr. CHOW Kyan Mervyn (周紀恩), aged 47, joined our Group and was appointed as a non-executive Director on June 20, 2019. Mr. Chow is responsible for participating in decision making of important matters of our Group.

Mr. Chow is a partner of Hillhouse Capital. Mr. Chow has over 20 years of experience in Asia Pacific investment banking. Prior to joining Hillhouse Capital in March 2018, he was the Chief Executive Officer for Greater China and Co-Head of Investment Banking and Capital Markets Asia Pacific for Credit Suisse (Hong Kong) Limited. He was responsible for the bank's sector and country corporate coverage groups, mergers & acquisitions and capital markets in Asia as well as the overall strategy for the bank in Greater China.

Mr. Chow received his bachelor of arts in Economics from the University of California at Berkeley in May 1994 and his master of arts in International Policies Studies from Stanford University in June 1995.

Ms. YUNG Josephine Yuen Ching (翁婉菁), aged 36, joined our Group and was appointed as a non-executive Director on June 20, 2019. She is responsible for participating in decision making of important matters of our Group.

Ms. Yung is an associate general counsel at Hillhouse Capital and has more than 10 years of experience in advising on corporate transactions. Prior to joining Hillhouse Capital in 2018, she practised as an attorney at leading international law firms, including Ropes & Gray, Weil, Gotshal & Manges and Linklaters. Ms. Yung received the degree of bachelor of arts in economics in October 2008, the degree of juris doctor in June 2008 and the degree of bachelor of arts with honors in business administration in October 2005 from Western University in Canada. She has been admitted to practice as an attorney and counselor at law in all courts of the State of New York in the United States since April 2010.

Ms. HU Xiaoling (胡曉玲), aged 49, joined our Group in June 2006 and was appointed as a non-executive Director on June 20, 2019. She is primarily responsible for participating in decision making of important matters of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Hu joined CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Hong Kong) Limited. Prior to joining CDH Investments, Ms. Hu worked at the direct investment department of China International Capital Corporation Limited and at Arthur Andersen LLP.

Ms. Hu has been a non-executive director of Dali Foods Group Company Limited (a company listed on the Stock Exchange, stock code: 3799) since May 2015 and Baroque Japan Limited (a company listed on Tokyo Stock Exchange, stock code: 35480) since August 2013. Ms. Hu has been a director of Belle International which was listed on the Main Board of the Stock Exchange from 2007 to 2017. She has also served as a director of Midea Group Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 000333) from August 2012 to August 2017, and a director of Anhui Yingliu Electromechanical Co., Limited (a company listed on Shanghai Stock Exchange, stock code: 603308) from March 2011 to April 2017. Ms. Hu had also been a director of Beijing Motie Book Corporation Company from July 2010 to December 2017.

Ms. Hu graduated from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) with bachelor's degree in economics in July 1992 and with master's degree in economics and accounting in March 1995. She is a fellow member of the Association of Chartered Certified Accountants and a qualified Certified Public Accountant.

Independent Non-Executive Directors

Mr. LAM Yiu Kin (林耀堅), aged 64, was appointed as an independent non-executive Director on June 20, 2019 with effect on the date of this prospectus. Mr. Lam is responsible for supervising and providing independent judgment to our Board. He is the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Lam was a partner of PricewaterhouseCoopers from July 1993 to June 2013. Mr. Lam graduated from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher diploma in Accountancy in October 1975 and was conferred University Fellow of The Hong Kong Polytechnic University in November 2002. He has been an associate of The Institute of Chartered Secretaries and Administrators since December 1979 and a fellow or fellow member of each of the Association of Chartered Certified Accountants since June 1983; the Hong Kong Society of Accountants since June 1989; the Institute of Chartered Accountants in Australia and New Zealand since June 1999; and the Institute of Chartered Accountants in England and Wales since January 2015.

Mr. Lam has been an independent non-executive director of each of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (stock code: 1349) since October 2013; Vital Innovations Holdings Limited (stock code: 6133, previously known as Vital Mobile Holdings Limited) since September 2014; Spring Real Estate Investment Trust (stock code: 1426) since January 2015; Global Digital Creations Holdings Limited (stock code: 8271) since July 2015; Shougang Concord Century Holdings Limited (stock code: 0103) since August 2015; COSCO

DIRECTORS AND SENIOR MANAGEMENT

SHIPPING Ports Limited (stock code: 1199) since August 2015; Nine Dragons Paper (Holdings) Limited (stock code: 2689) since March 2016; WWPKG Holdings Company Limited (stock code: 8069) since December 2016; CITIC Telecom International Holdings Limited (stock code: 1883) since June 2017; and Bestway Global Holding Inc. (stock code: 3358) since October 2017. He was an independent non-executive director of Mason Group Holdings Limited (stock code: 0273), a company listed on the Main Board of the Stock Exchange, from August 2015 to May 2017.

Notwithstanding Mr. Lam's engagement as an independent non-executive director for a number of listed companies and his chairing the audit committees of seven of these listed companies, the Board and the Joint Sponsors are of the view that Mr. Lam is able to devote sufficient time to act as an independent non-executive Director of our Company on the basis that (i) he has confirmed he is able to and will devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director; (ii) he is not preoccupied with any full-time work and none of his current commitments as an independent non-executive director of the other listed companies would require his full-time involvement and he does not participate in the day-to-day operations of those listed companies; (iii) with his extensive experience and knowledge, particularly on corporate governance acquired and developed from his background and past experience (including his directorships in other listed companies), he is fully aware of the responsibilities and expected time involvement for independent non-executive directors; (iv) he has held directorships for over three years in seven of the above listed companies; and (v) he has demonstrated that he is able to devote sufficient time to discharge his duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year, as disclosed in these listed companies' latest published annual reports.

Mr. HUA Bin (華彬), aged 47, was appointed as an independent non-executive Director on June 20, 2019 with effect on the date of this prospectus. Mr. Hua is responsible for supervising and providing independent judgment to our Board. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Hua has been a managing director for the Asia-Pacific region of Booking.com since October 2013 where he is responsible for developing and executing the company's business strategy in the Asia Pacific region. Mr. Hua received his bachelor degree in economics from Beijing International Studies University in China in July 1993. He obtained a master of business administration from China Europe International Business School in China in November 1997 and completed an exchange term at IESE Business School of the University of Navarra in Spain in December 1997.

Mr. HUANG Victor (黃偉德), aged 48, was appointed as an independent non-executive Director on June 20, 2019 with effect on the date of this prospectus. Mr. Huang is responsible for supervising and providing independent judgment to our Board. He is a member of the Audit Committee and the Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Huang was a partner of KPMG from July 2014 to August 2017 and a partner of PricewaterhouseCoopers Limited from July 2005 to July 2014, with over 25 years of experience in finance, accounting and mergers and acquisitions. Mr. Huang graduated from The University of California, Los Angeles in the United States with a degree of bachelor of arts with a major in Business-Economics in September 1992. He has been an associate of the Hong Kong Society of Accountants since June 1996 and a Certified Independent Director of the Shanghai Stock Exchange since June 2018.

Mr. Huang has been an independent non-executive director of each of Scholar Education Group (stock code: 1769) since June 2019; ManpowerGroup Greater China Limited (stock code: 2180) since March 2019; Laobaixing Pharmacy Chain Joint Stock Company (a company listed on the Shanghai Stock Exchange, stock code: 603883) since February 2018; and Trinity Limited (stock code: 891) since December 2018.

GENERAL

Save as disclosed above, each of our Directors has confirmed that:

- (i) he or she does not and has not held any other directorships in listed companies during the three years immediately prior to the Latest Practicable Date;
- (ii) there is no other information in respect of such Director to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and
- (iii) there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

None of the Directors has any interests in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The senior management team of our Group and their details of experience are as follows:

Name	Age	Position	Time of joining our Group	Date of appointment	Responsibilities within our Group
Mr. Tian Zhong (田忠)	48	Vice president	June 2015	June 20, 2019	Responsible for our mono-brand business line operations
Mr. Zhang Qiang (張強)	46	Vice president	May 2005	June 20, 2019	Responsible for our corporate functions and innovation businesses
Mr. Chai Xiaoji (柴曉佶)	47	Vice president	June 2006	June 20, 2019	Responsible for our multi-brand business line operations and channel management

Mr. TIAN Zhong (田忠), aged 48, joined our Group in June 2015 and was appointed as a vice president of our Company on June 20, 2019. He is primarily responsible for our mono-brand business line operation.

Mr. Tian has more than 15 years of industry experience in the sportswear business. Prior to joining our Group, he worked as a retail manager in Nike Sports (China) Co., Ltd. from April 1997 to May 2006, where he was responsible for northern China sales and retail operations. After his departure from Nike Sports (China) Co., Ltd., Mr. Tian served as a general manager in Shenyang Pengda Sporting Goods Co., Ltd. ((瀋陽鵬達體育用品有限公司) now known as Shenyang Lingpao Sports Product Co. Ltd. (瀋陽領跑體育用品有限公司)) before commencing his postgraduate study at the Beijing Normal University (北京師範大學) in September 2011. In June 2015, Mr. Tian joined the sports business division of Belle International which now forms part of our Group and was promoted as the deputy general manager in July 2017.

Mr. Tian received his bachelor's degree in physical education from the Capital University of Physical Education and Sports (首都體育學院) (formerly known as Beijing Physical Education Normal College (北京體育師範學院)) in July 1994, and he completed the postgraduate course in development and education psychology in Beijing Normal University (北京師範大學) in September 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Qiang (張強), aged 46, joined our Group in May 2005 and was appointed as a vice president of our Company on June 20, 2019. Mr. Zhang is primarily responsible for our corporate functions and innovation businesses of our Group. He is also a director of one of our PRC subsidiaries.

Mr. Zhang has more than 24 years of industry experience in the sportswear business. He joined our Group in May 2005 and, in June 2006, he was appointed as the deputy general manager of the sports business division of Belle International which now forms part of our Group. Prior to joining our Group, he worked for Nike Sports (China) Co., Ltd. from October 1995 to April 2005, with his last position as a national sales manager primarily responsible for sales and channel development as well as sales team management.

Mr. Zhang obtained his bachelor's degree in industrial global trade from Hangzhou Dianzi University (杭州電子科技大學) in July 1995.

Mr. CHAI Xiaoji (柴曉佶), aged 47, joined our Group in June 2006 and was appointed as a vice president of our Company on June 20, 2019. He is primarily responsible for our multi-brand business line operations and channel management.

Mr. Chai has 20 years of industry experience in the retail business. Mr. Chai joined the Belle International Group in 1999. In June 2006, Mr. Chai joined the sports business division of Belle International which now forms part of our Group and was promoted as the deputy general manager in September 2007.

Each of our senior management members has confirmed that he or she does not and has not held any other directorships in any public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. LEUNG Kam Kwan (梁錦坤), aged 55, was appointed as the company secretary of our Company in May 2019. Mr. Leung joined our Group in June 2006 and has served as the company secretary and chief financial director of Belle International.

Mr. Leung has more than 26 years of experience in accounting, financial management and internal control. Prior to joining our Group and the Belle International Group in September 2004, Mr. Leung had held senior positions in accounting and finance fields at various companies in Hong Kong since February 1992.

Mr. Leung obtained his bachelor's degree in accounting from City University of Hong Kong in November 1993. He is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, as well as a member of the Hong Kong Institute of Chartered Secretaries.

DIRECTORS AND SENIOR MANAGEMENT

COMMITTEES UNDER THE BOARD OF DIRECTORS

We have established the following committees under our Board of Directors: Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board of Directors.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor. The chairman of the Audit Committee is Mr. LAM Yiu Kin.

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

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of Mr. HUA Bin, Mr. YU Wu and Mr. LAM Yiu Kin. The chairman of the Remuneration Committee is Mr. HUA Bin.

The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of Mr. YU Wu, Mr. HUANG Victor and Mr. LAM Yiu Kin. The chairman of the Nomination Committee is Mr. YU Wu.

The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of our 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.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management members receive compensation in the form of salaries, bonuses, contributions to pension schemes, housing and other allowances and benefits in kind from our Company subject to applicable laws, rules and regulations. The aggregate amount of compensation (including fees, salaries, bonuses, contributions to pension schemes, housing and other allowances) and benefits in kind paid to the Directors for the three years ended February 28, 2017, 2018 and 2019 were approximately RMB5.18 million, RMB5.12 million and RMB5.63 million, respectively.

The aggregate amount of compensation and benefits in kind paid to the five highest paid individual employees of our Group for the three years ended February 28, 2017, 2018 and 2019 included one Director in each year, and were approximately RMB11.1 million, RMB11.6 million and RMB11.8 million, respectively. For the three years ended February 28, 2017, 2018 and 2019, the aggregate amount of remuneration we paid/payable to the remaining 4 highest paid individuals who are neither a director or chief executive of our Group were RMB5.93 million, RMB6.44 million and RMB6.21 million, respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the financial year ending February 29, 2020 to be approximately RMB7 million. The executive Director receive compensation in the form of salaries, bonuses, contributions to pension schemes, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. Please refer to the section headed “Appendix IV—Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts” in this prospectus for further details on the executive Director’s compensation.

The non-executive Directors and independent non-executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company and are paid out of the funds of our Company by way of fees for their services as directors such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as our Company may by ordinary resolution determine).

During the Track Record Period, no remuneration was paid by our Group to, or receivable by, our Directors or five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors or the five highest paid individuals for each of the three years ended February 28, 2017, 2018 and 2019 for the loss of any office in connection with the management of affairs of any of our subsidiaries. In addition, none of our Directors waived any emoluments for any of the three years ended February 28, 2017, 2018 and 2019.

DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following the Listing, will receive recommendations from the Remuneration Committee which will take into account applicable laws, rules and regulations.

COMPLIANCE ADVISOR

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor (the “**Compliance Advisor**”) upon the Listing in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor’s agreement with the Compliance Advisor, the material terms of which are as follows:

- (i) the term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier;
- (ii) pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will, inter alia, advise our Company with due care and skill on a timely basis when consulted by our Company in the following circumstances:
 - before the publication by our Company of any regulatory announcement, circular or financial report;
 - where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;
 - where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
 - where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules;
- (iii) the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines;
- (iv) the Compliance Advisor will act as an additional channel of communication between our Company and the Stock Exchange; and

DIRECTORS AND SENIOR MANAGEMENT

- (v) each of our Company and the Compliance Advisor has the right to terminate the agreement if the other party commits a material breach of the agreement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules in all material aspects after the Listing.

Board Diversity Policy

We have adopted a diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, sales and marketing, finance, investments and the sportswear retail business. They obtained degrees in various areas such as engineering, economics, international policies and juris doctor. The ages of our Directors range from 35 to 67 years old.

Our Board is responsible for reviewing the diversity of our Board. After the Listing, our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised), Muse Holdings, through its various wholly-owned subsidiaries, namely Muse M, Muse B, Belle International and Belle Sports will hold approximately 85% of the total issued share capital of our Company. Therefore, each of the Muse Entities, Belle International and Belle Sports is a Controlling Shareholder of our Company. In addition, WMVL and Hillhouse HHBH each holds 46.36% and 44.48% of the total issued share capital of Muse Holdings, respectively. Hillhouse HHBH is ultimately controlled by Hillhouse LP and the sole investment manager of Hillhouse LP is Hillhouse Capital. Accordingly, WMVL, Hillhouse HHBH, Hillhouse LP and Hillhouse Capital are also considered as the Controlling Shareholders of our Company. For details of the shareholding structure of our Company, please refer to the section headed “History, Reorganization and Corporate Structure” of this prospectus.

Belle International and its subsidiaries, excluding our Group, (the “**Belle Group**”) are principally engaged in the footwear and apparel business in the PRC, Hong Kong and Macau. The majority business of the Belle Group adopts a vertically integrated business model which covers product research and development, design, brand management, manufacturing and retailing. For the details of the business delineation of our Group and the Belle Group, please refer to the section headed “—Clear Delineation of Business Activities between our Group and the Belle Group” below.

Hillhouse Capital builds businesses that stand the test of time. It is a long-term investor focused on partnering with world-class entrepreneurs to help them grow their businesses globally. Over more than a decade, Hillhouse Capital has worked alongside iconic companies that have redefined their industries. With offices in Hong Kong, New York, Beijing and Singapore, Hillhouse Capital looks for opportunities around the globe, and has the flexibility to work across the private equity spectrum, from seed investments to buyouts. The firm manages capital on behalf of global institutions such as non-profit foundations and pensions.

The Muse Entities were incorporated in the Cayman Islands specifically for the purpose of the Privatization. WMVL was incorporated in the BVI specifically to directly hold interests in the Muse Entities for the senior management team of our Group and the Belle International Group for the purpose of the Privatization. Belle Sports was incorporated in the BVI as part of the Reorganization. Each of Belle Sports, the Muse Entities and WMVL is an investment holding company.

None of our Controlling Shareholders has any interest in a business that competes or is likely to compete, either directly or indirectly, with our Group’s business and which requires disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CLEAR DELINEATION OF BUSINESS ACTIVITIES BETWEEN OUR GROUP AND THE BELLE GROUP

The business of Belle Group is delineated from the business operated by our Group in the following key aspects:

- (a) **Product Focus and Brands:** Since the commencement of our business, our Group has been focusing on offering our consumers high-quality sportswear products from a wide range of international sportswear brands, including the Principal Brands and other brands. In contrast, the products of the Belle Group focus on non-sports, fashion and leisure footwear and apparel from brands such as Belle, Teenmix, Staccato, Joy & Peace, Millie's, MOUSSY, SLY and initial. As such, we and the Belle Group offer products which are tailored to different needs of the Chinese consumer base; and
- (b) **Business Model:** Over the last two decades, we have developed strategic relationships with a number of international sportswear brands and have helped them enter and grow in the Chinese market. We sell the products of such international sportswear brands and we are not responsible for the design or manufacturing of their products. The majority of the business of the Belle Group, on the other hand, adopts a vertically integrated business model which covers product research and development, design, brand management, manufacturing and retailing. As such, our business model is different from that of the Belle Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Upon Listing, our Board will consist of nine Directors, comprising one executive Director, five non-executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our executive Director and chief executive officer, Mr. Yu Wu, and three of our non-executive Directors, Mr. Sheng Baijiao, Mr. Sheng Fang and Ms. Hu Xiaoling, hold directorships in each of Belle International and the Muse Entities. Mr. Sheng Baijiao and Mr. Sheng Fang also hold directorships and various positions in the Belle Group. The following table sets out the positions and responsibilities of the overlapping Directors between (i) our Group; and (ii) Belle International and other Controlling Shareholders after Listing:

	Our Group	Belle International	Other Controlling Shareholders⁽¹⁾
Mr. Yu Wu	Executive Director and chief executive officer responsible for overall strategic planning of our Group and the management of our Group's business	Executive director and president of sportswear business division (which forms our Group), primarily responsible for the marketing strategy and overall management of the sportswear business (i.e. our Group)	Director of Belle Sports, director of Muse B, executive director of Muse M, executive director of Muse Holdings and director of WMVL
Mr. Sheng Baijiao	Chairman and non-executive Director responsible for providing advice on business development of our Group and participating in decision making of important matters of our Group	Executive director and chief executive officer responsible for the Belle International Group's overall strategic planning and the management of the Belle Group's business (excluding our business)	Director of Muse B, executive director of Muse M and executive director of Muse Holdings
Mr. Sheng Fang	Non-executive Director responsible for participating in decision making of important matters of our Group	Executive director and president of the footwear business division and the apparel business division primarily responsible for the operation management of the Belle International Group's footwear and apparel businesses	Director of Muse B, executive director of Muse M, executive director of Muse Holdings and director of WMVL

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

	Our Group	Belle International	Other Controlling Shareholders⁽¹⁾
Ms. Hu Xiaoling	Non-executive Director responsible for participating in decision making of important matters of our Group	Non-executive director responsible for participating in decision making of important matters of the Belle International Group	Director of Muse B, non-executive director of Muse M and non-executive director of Muse Holdings

Note:

- (1) Belle Sports, Muse B, Muse M, Muse Holdings and WMVL are investment holding companies.

Notwithstanding the overlapping of roles set out above, our Directors consider that our Board and senior management will function effectively and independently of our Controlling Shareholders and their close associates for the following reasons:

- (a) although Mr. Yu Wu, our executive Director and chief executive officer, holds directorships in each of Belle International and the Muse Entities, he is not involved in any day-to-day management or affairs and operations of the Belle Group;
- (b) none of our non-executive Directors has been and will be involved in the day-to-day management or affairs and operations of our businesses;
- (c) our daily management and operations are led by Mr. Yu Wu and are carried out by a senior management team, all of whom have substantial experience in the sportswear industry and are not involved in any management, operations or affairs of the Belle Group, and will therefore be able to make business decisions that are in the best interests of our Group and ensure independence of daily management and operations from the Belle Group. For further details of the biography of our senior management, please refer to the section headed “Directors and Senior Management—Senior Management” in this prospectus;
- (d) each of the Directors is fully aware of the fiduciary duties of a Director which require, among other things, that he or she must act for the benefit and in the best interests of our Group and must not allow any conflict between his duties as a Director and his or her personal interest;
- (e) the Articles require a Director who, to his or her knowledge, is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company to declare the nature of his or her interest at the meeting of our Board at which the question of entering into the contract or arrangement is first considered, if he or she knows his or her interest then exists, or in any other case at the first meeting of our Board after he or she knows that he or

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

she is or has become so interested. In addition, if our Board is to approve any contract or arrangement or any other proposal in which a Controlling Shareholder or its associates is materially interested, the interested Director shall obtain from voting (nor be counted in the quorum) except for certain circumstances as set out in the Articles. For details, please refer to the section headed “Summary of our Constitution and Cayman Company Law” in Appendix III to this prospectus;

- (f) for any connected transactions proposed to be entered into between our Company and any member of the Belle Group, the overlapping Directors will abstain from voting in the event of a conflict of interest and the remaining five disinterested Directors, including those Directors who do not hold any directorships or positions in the Belle Group and the independent non-executive Directors, will be entitled to vote on the relevant resolutions of the Board approving such transactions; and
- (g) the Board comprises nine Directors and three of them are independent non-executive Directors, which represent one-third of the members of the Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are being appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinion.

Operational Independence

Our Group has our own operational structure consisting of separate departments, each with clear division of responsibilities. We have established internal control procedures to facilitate the effective operation of our business. We have our own customers with whom we communicate and maintain relationship independently. We have sufficient capital, retail and sales network, marketing capabilities and employees to operate our business independently from our Controlling Shareholders. We also have independent access to brand partners and downstream retailers.

Connected Transactions with the Belle Group

We have entered into various continuing connected transactions with the Belle Group, including intellectual properties licensing, e-commerce services, property leasing and logistics services. For details of these transactions, please refer to the section headed “Connected Transactions” of this prospectus.

We believe such continuing connected transactions do not impact our operational independence on the basis that:

- in respect of intellectual properties licensing, Belle International has no right to terminate the IP Licensing Agreement unilaterally and has undertaken to transfer the relevant intellectual properties to us upon our request at nil consideration; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- in respect of the other continuing connected transactions, we believe that we would be able to make alternative arrangements with Independent Third Parties to provide similar services, if needed.

In view of the above, the Directors are of the view that such continuing connected transactions do not indicate any undue reliance of our Group on the Belle Group, and our business operations are independent from the Controlling Shareholders.

Financial Independence

We have our own finance department responsible for the treasury function. We also have our own financial management system and internal control system with the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective. We are capable of obtaining financing from Independent Third Parties, if necessary, without reliance on our Controlling Shareholders.

As at the Indebtedness Date, we had an aggregate amount of approximately RMB3,363.4 million of non-trade payable due to Belle International and certain of its subsidiaries, and such payable will be settled upon Listing using the net proceeds from the Global Offering. No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after Listing.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following corporate governance measures to avoid potential conflict of interests with our Controlling Shareholders and safeguard the interests of our Shareholders:

- (a) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence. Further, our Directors will avoid actual and potential conflicts of interest and duty, and disclose fully and fairly his or her interests in contracts with us, including but not limited to abstaining from voting on any resolution of the Board approving any contract or arrangement or other proposal in which they or any of their respective close associates is materially interested in accordance with our Articles and reporting to the Board on any material conflict or potential conflict of interests as soon as practicable;
- (b) we have also established a compliance department headed by Mr. Yu Wu, our executive Director who is supported by our company secretary, Mr. Leung Kam Kwan (please refer to the section headed “Directors and Senior Management—Board of Directors—Executive Director” and “Director and Senior

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Management—Company Secretary” in this prospectus for details of the biographies of Mr. Yu and Mr. Leung, respectively) under the supervision of the Audit Committee, with the following key duties:

- the compliance department shall strictly monitor all business departments of our Group, in order to identify any transactions involving connected persons of our Company;
 - if any member of the compliance department identifies any material conflict or potential conflict of interests, he/she must immediately report to the head of the compliance department, who shall in turn report to the Board as soon as practicable;
 - the compliance department will conduct a review of the effectiveness of such internal control measures and report to the Audit Committee on a regular basis, to ensure the proper implementation of the mechanism for conflict investigations;
- (c) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among other things, a Director shall not be entitled to vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he/she or any of his/her close associates (or, if required by the Listing Rules, his/her other associates) has any material interest (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules). The resolutions of the Board meeting may be adopted if approved by more than half of the Directors that have no such interest;
- (d) we have established internal control mechanisms (such as the connected transaction policy) to identify connected transactions. Any transaction between (or proposed to be made between) our Group and our connected persons will be subject to requirements under the Listing Rules, including, where applicable, the reporting, annual review, announcement, circular (including independent financial advice) and independent Shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;
- (e) we have appointed three independent non-executive Directors in order to achieve a balanced composition of independent and non-independent Directors in our Board which ensures the independence of the Board in making decisions affecting our Company: (i) our independent non-executive Directors account for more than one-third of the Board; (ii) our independent non-executive Directors do not and will not take up any position in the Belle Group; (iii) our independent non-executive Directors have the qualification, integrity, independence and experience for their view to carry weight and to fulfil their roles effectively; and (iv) two of our independent non-executive Directors have experience as independent directors of listed companies and will be able to provide impartial and professional advice;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (f) our company secretary will draw up the agenda for each board meeting and ensure the inclusion of any matter proposed by the Directors in the agenda. He shall also ensure the Directors receive, in a timely manner, adequate information in relation to the matters to be approved at the Board meetings;
- (g) all non-fully exempt continuing connected transactions between our Group and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;
- (h) we will disclose decisions on matters reviewed by the independent non-executive Directors (including matters relating to connected transactions) either in our annual reports or by way of announcements as required by the Listing Rules;
- (i) our Company has appointed Anglo Chinese Corporate Finance, Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules, including various requirements relating to Directors' duties and internal control;
- (j) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;
- (k) we have established the Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance Report in Appendix 14 to the Listing Rules;
- (l) we will provide trainings for our Directors and our senior management members on a regular basis, to ensure that they understand their obligations under the Listing Rules; and
- (m) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "**CG Code**"), our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it.

CONNECTED TRANSACTIONS

We have entered into certain transactions in the ordinary and usual course of business with entities that will become our connected persons upon the Listing, and such transactions will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Name	Connected relationship with our Group
Belle International	a substantial shareholder and a Controlling Shareholder
New Belle Footwear (SZ)	an associate of Belle International under Rule 14A.07(4) of the Listing Rules
Li Xun Corporate Development (Shanghai) Company Ltd. (麗迅企業發展(上海)有限公司) (“Li Xun”)	an associate of Belle International under Rule 14A.07(4) of the Listing Rules

The following transactions with the respective entities mentioned above, which will continue after the Listing, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary of Our Continuing Connected Transactions

Nature of Transactions	Applicable		Proposed annual caps For the year ending		
	Listing Rules	Applicable Waiver Sought	February 29, 2020 (RMB)	February 28, 2021 (RMB)	February 28, 2022 (RMB)
<i>Fully exempt continuing connected transaction</i>					
IP Licensing Agreement	14A.76(1)(a)	N/A	Nil	Nil	Nil
<i>Partially exempt continuing connected transactions</i>					
E-commerce Services Framework Agreement	14A.76(2)(a)	Waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules	168.0 million	227.0 million	304.0 million

CONNECTED TRANSACTIONS

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps For the year ending		
			February 29, 2020 (RMB)	February 28, 2021 (RMB)	February 28, 2022 (RMB)
Property Leasing Framework Agreement	14A.76(2)(a)	Waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules	33.0 million	36.4 million	42.1 million
<i>Non-exempt continuing connected transaction</i>					
Logistics Services Framework Agreement	N/A	Waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules	435.0 million	543.0 million	679.0 million

Fully Exempt Continuing Connected Transaction

The following transaction is made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the following transaction will be fully exempted from announcement, annual review, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

IP Licensing Agreement

We have historically been using, for free, the Relevant Trademark registered or applied to be registered in the name of New Belle Footwear (SZ), a subsidiary of Belle International, in relation to the business and operations of our Group, including “滔搏” and “TOPSPORTS”. For further details of all the Relevant Trademarks, please refer to “Statutory and General Information—B. Further Information about our Business—2. Intellectual Property Rights of our Group—(a) Trademarks” in Appendix IV to this prospectus.

CONNECTED TRANSACTIONS

We entered into the IP Licensing Agreement with Belle International, Yunsheng Haihong Information Technology (Shenzhen) Company Limited and New Belle Footwear (SZ), pursuant to which we were granted an exclusive, royalty-free and irrevocable license to use the Relevant Trademarks in the jurisdiction(s) where the Relevant Trademarks are registered or in the course of being registered by New Belle Footwear (SZ). Upon our requests, New Belle Footwear (SZ) shall renew and maintain the registration of the Relevant Trademarks upon expiry and it has no right to terminate the IP Licensing Agreement unilaterally. New Belle Footwear (SZ) further agrees to, upon our requests, transfer the Relevant Trademarks to us at nil consideration. Belle International also undertakes to, and will procure its subsidiaries to, grant us a royalty-free and irrevocable licence to use intellectual properties in relation to the business and operation of our Group, including certain copyrights, registered or to be registered in the name of Belle International or any of its subsidiaries. In addition, we have granted a non-exclusive and royalty-free license to Belle International and its subsidiaries to use certain back-end supporting software copyrights for different systems, namely Belle Group BI Platform, Qixing Alliance Member Management System and Yunhai RS1 System, in the PRC where these copyrights are registered. The IP Licensing Agreement will be effective for 10 years from the date of the agreement.

Since the licenses under the IP Licensing Agreement are granted on a royalty-free basis, the transactions under the IP Licensing Agreement constitute *de minimis* transactions which will be fully exempt from all the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors and the Joint Sponsors are of the view that, considering the nature of the licenses under the IP Licensing Agreement and in order to ensure the stability and continuity of the business and operations of our Group, it is normal business practice and in the interests of our Company and our Shareholders as a whole to enter into the IP Licensing Agreement for a term longer than three years.

Partially Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transactions will be subject to the announcement, reporting and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the circular (including independent financial advice) and independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

E-commerce Services Framework Agreement

Background and reasons for the transactions

We have certain online operations as a supplement to our physical store network. Since March 2017, certain subsidiaries of Belle International (the “**Belle e-Commerce Units**”) which are engaged in e-commerce services in relation to its footwear business have also been assisting in the operation of our online sales platforms. We engage the Belle e-Commerce Units for our online operations primarily because: (i) our online operations currently constitute only a small part of our overall business and as a result, it is not cost efficient for us to establish our own e-commerce capabilities; and (ii) compared to third-party e-commerce service providers which typically only focus on online operations, Belle e-Commerce Units are better positioned to integrate our online operations with our offline operations, as a result of their in-depth understanding of our nationwide store network, to enable us to achieve potential synergies. The services provided to us include, but not limited to, (i) the provision of access to certain online sales platforms including an online platform operated by the Belle e-Commerce Units and other online platforms operated by Independent Third Parties (the “**Platform Services**”); and (ii) the provision of e-commerce operation related services (the “**Operation Related Services**” together with the Platform Services, the “**E-commerce Services**”) such as (a) online store setup and operation support, (b) webpage designing, marketing and promotion, copywriting, customer services, information optimization and big data analytics, and (c) cybersecurity, consulting services and other ancillary services in relation to e-commerce.

Principal terms

Our Company has entered into an e-commerce services framework agreement (the “**E-commerce Services Framework Agreement**”) with Belle International on September 20, 2019, pursuant to which the Belle e-Commerce Units shall provide us the E-commerce Services, and we will pay, on a monthly basis, (i) in respect of the Platform Services, a commission of no more than 5% of our total revenue generated from the sales on the relevant online sales platforms (the “**Platform Commission**”); and (ii) in respect of the Operation Related Services, a service fee of no more than 7% of our total revenue generated from the sales on all the relevant online sales platforms (the “**Operation Related Services Fee**”, together with the Platform Commission, the “**E-commerce Services Fees**”). The rates of the E-commerce Services Fees may be reviewed and adjusted every year during the term of the E-commerce Services Framework Agreement with reference to the market rates we may source from other Independent Third Party service providers. We and the relevant Belle e-Commerce Units will enter into separate service agreements, which shall set out specific terms and conditions pursuant to the principles and conditions provided in the E-commerce Services Framework Agreement. The E-commerce Services Framework Agreement will be effective upon Listing until February 28, 2022.

CONNECTED TRANSACTIONS

Pricing

The rates of E-commerce Services Fees set out above are determined between the parties following their arm's length negotiations, after taking into account:–

- (i) in respect of the Platform Commission, the cost of operating the relevant online sales platforms, reasonable profit margins, seasonality of the sales and commission rates charged by other Independent Third Party online sales platform service providers; and
- (ii) in respect of the Operation Related Services Fee, the cost, reasonable profit margins, seasonality of the sales and service fees charged by Independent Third Party service providers.

We will also seek quotations from other service providers that are Independent Third Parties to make sure the terms that we obtain from the Belle e-Commerce Units shall be on normal commercial terms or better.

Historical figures

The total E-commerce Services Fees paid by our Group to the Belle e-Commerce Units for each of the three years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2019 were nil, RMB186.4 million, RMB128.5 million and RMB34.2 million, respectively (of which nil, RMB145.3 million, RMB31.0 million and nil, respectively, were platform commissions in relation to online platforms operated by Independent Third Parties). For the year ended February 28, 2018, the E-commerce Services Fees included substantial platform commissions in relation to online platforms operated by Independent Third Parties. Such fees were paid by us to the Independent Third Parties through the Belle e-Commerce Units. The total E-commerce Services Fees for the year ended February 28, 2019 decreased substantially as we paid most platform commissions to Independent Third Parties directly.

Annual caps

The Directors estimated the annual caps of the aggregate E-commerce Services Fees under the E-commerce Services Framework Agreement payable by our Company for the year ending February 29, 2020 and the two years ending February 28, 2021 and 2022 are as follows:

	For the years ending		
	February 29, 2020	February 28, 2021	February 28, 2022
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
E-commerce Services Fees	168.0 million	227.0 million	304.0 million

CONNECTED TRANSACTIONS

In arriving at the above proposed annual caps in respect of the provision of E-commerce Services under the E-commerce Services Framework Agreement, the Directors have considered (i) the historical figures as set out above; and (ii) the expected growth in our sales on online sales platforms, having taken into account (a) our business outlook; (b) the overall growth rate of the China e-commerce market which grew at a CAGR of 36.9% from 2014 to 2018 according to Frost & Sullivan; and (c) our current low base in terms of online retail sales.

Property Leasing Framework Agreement

Background and reasons for the transactions

During the Track Record Period, we have historically been using certain properties owned by Belle International or its subsidiaries as office or commercial premises or storage facilities for certain store fixtures. In anticipation of the Listing, we and Belle International entered into a property leasing framework agreement on September 20, 2019 (the “**Property Leasing Framework Agreement**”), effective upon Listing until February 28, 2022.

Principal terms

Pursuant to the Property Leasing Framework Agreement, Belle International and/or its subsidiaries shall lease to our Group (a) 11 properties located in seven cities in the PRC and one property located in Hong Kong with an aggregate gross area of approximately 21,250 square meters as office or commercial premises; and (b) one storage facilities for certain store fixtures with an aggregate gross area of approximately 1,100 square meters. We may rent additional properties from Belle International or its subsidiaries in accordance with the actual demand of our Group for property space. The relevant tenants from our Group and the relevant landlords from the Belle Group shall enter into separate lease agreements which shall set out the specific terms and conditions pursuant to the principles and conditions provided in the Property Leasing Framework Agreement.

Pricing

The rental price under the Property Leasing Framework Agreement is 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 Party to Belle International and/or its subsidiaries in respect of comparable properties.

CONNECTED TRANSACTIONS

The rental price may be reviewed and adjusted every rental period during the term of the 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 and/or its subsidiaries to other tenants.

Historical figures

The total lease payments made by our Group to the other subsidiaries of Belle International for each of the three years ended February 28, 2017, 2018 and 2019 and the three months ended May 31, 2019, were approximately RMB19.3 million, RMB49.9 million, RMB21.5 million and RMB8.1 million, respectively. During the Track Record Period, there were changes in the scope of our leased properties as a result of the intra-group reorganization, business consolidation and expansion, and assets restructuring of the Belle International Group.

Annual caps

The Directors estimated the annual caps of the aggregate lease payments to be made by our Company for the property leasing under the Property Leasing Framework Agreement for the year ending February 29, 2020 and the two years ending February 28, 2021 and 2022 are as follows:

	For the years ending		
	February 29, 2020 (RMB)	February 28, 2021 (RMB)	February 28, 2022 (RMB)
Lease payments	33.0 million	36.4 million	42.1 million

In arriving at the above proposed annual caps in respect of the lease payments under the Property Leasing Framework Agreement, the Directors have considered (i) the current rental prices of comparable properties in the vicinity and the prevailing market rates; (ii) the expected increase in rental prices based on prediction on the future development of the property market in the PRC; and (iii) the potential increasing demand of our Group for property space.

Non-Exempt Continuing Connected Transaction

The following transaction is made in the ordinary and usual course of business and on normal commercial terms or better where, as our Directors currently expect, the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. As such, the following transaction will be a non-exempt continuing connected transaction under Chapter 14A of the Listing Rules, subject to annual review, announcement, reporting, circular (including independent financial advice) and independent Shareholders' approval requirements.

CONNECTED TRANSACTIONS

Logistics Services Framework Agreement

Background and reasons for the transactions

Prior to the establishment of Li Xun, the vast majority of our logistics needs were fulfilled by locally based groups of personnel and resources of our Group in different locations where our Group operated (“**Topsports Logistics Operations**”). Due to the decentralized nature of these arrangements, the quality of the services delivered by the Topsports Logistics Operations were not optimized. Further, we considered that it was not cost efficient for us, given the seasonality in our product procurement and delivery cycles, to develop a centralized in-house logistics system as it would be difficult to maintain an optimal balance of resources to meet our fluctuating demand for logistics services.

Since March 2018, we have been using the logistics services provided by Li Xun which consolidated and centralized logistics operations of the entire Belle International Group (including the Topsports Logistics Operations) as part of the fundamental transformation of Belle International. With the advantages of economies of scale and centralized and integrated operations, Li Xun is able to offer more efficient logistics services with a higher level of sophistication and timeliness, without an increase in cost. Li Xun provides logistics services to both our business and the footwear business of Belle International and therefore, we have been able to benefit from the synergies generated by Li Xun primarily from (i) the largely overlapping geographical coverage of our store network and that of the footwear business of Belle International, which had approximately 10,000 stores as at February 28, 2019; and (ii) given the different patterns and schedules of product deliveries of the two businesses, the difference in logistics needs from Belle International’s footwear business and our Group throughout the year. As a result, Li Xun is able to maintain a healthy level of utilization of its logistics infrastructure and increase its overall efficiency, which, in turn, is beneficial to us. Such efficient and timely logistics services provided by Li Xun is also critical to our business, in particular, our inventory management and control. Compared to third-party logistics service providers, Li Xun is able to provide more dedicated services, has a better understanding of our nationwide store network, and offers better integration with our inventory management system, which are critical for our operations.

Further, Li Xun has a proven record of reliability that meets our Group’s highly demanding delivery requirement in terms of frequency and timeliness. As of the Latest Practicable Date, we have not experienced any material delays or improper handling of orders with Li Xun that had materially and adversely affected our operations.

CONNECTED TRANSACTIONS

Principal terms

In anticipation of the Listing, our Company has entered into the Logistics Services Framework Agreement with Li Xun on September 20, 2019 in relation to the provision of (a) transportation for goods after their delivery from our suppliers, including but not limited to, the transportation among warehouses and stores; and (b) warehouses (collectively, the “**Logistics Services**”). The Logistics Services Framework Agreement shall be effective upon Listing until February 28, 2022.

Pricing

The service fee charged under the Logistics Services Framework Agreement is determined after arm’s length negotiation between the parties. The total service fee is calculated based on (i) the volume of Logistics Services we require for the relevant period; and (ii) the actual cost incurred by Li Xun in relation to the provision of Logistics Services in the preceding financial year plus a 5% pre-tax mark-up.

Pursuant to the Logistics Services Framework Agreement, Li Xun has agreed to provide us with its audited accounts of the relevant financial year for our verification of its cost base. When and where required, we will also seek quotations from other service providers that are Independent Third Parties to make sure the terms that we obtain from Li Xun shall be on normal commercial terms or better.

Historical figures

The total logistics services fees incurred by our Group for the year ended February 28, 2019 and the three months ended May 31, 2019 were RMB347.6 million and RMB93.0 million, respectively.

Annual caps

The Directors estimated the annual caps of the aggregate fees for the Logistics Services under the Logistics Services Framework Agreement payable by our Company to Li Xun for the year ending February 29, 2020 and the two years ending February 28, 2021 and 2022 to be as follows:

	For the years ending		
	February 29, 2020	February 28, 2021	February 28, 2022
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Logistics Service Fees	435.0 million	543.0 million	679.0 million

CONNECTED TRANSACTIONS

In arriving at the above proposed annual caps in respect of the Logistics Services under the Logistics Services Framework Agreement, 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, as a result, the logistics needs; (iii) an 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 cost, which would be reflected into the logistics fees payable by us.

WAIVERS FROM THE STOCK EXCHANGE

As the material terms of each of the partially exempted and non-exempted connected transactions are disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of the disclosures, the Directors consider that strict compliance with the announcement requirement and, where applicable, the circular (including independent financial advisor) and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, would be impracticable and unduly burdensome and, in particular, would induce unnecessary administrative costs to our Company.

As a result, our Company has applied to the Stock Exchange for, and has been granted, subject to the condition that the annual transactions value shall not exceed their respective estimated annual caps as stated above:

- (a) a waiver under Rule 14A.105 of the Listing Rules to exempt transactions set out in the sub-section headed "Partially Exempt Continuing Connected Transactions" in this section from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rule for the term ending February 28, 2022 ; and
- (b) a waiver under Rule 14A.105 of the Listing Rules to exempt the transactions set out in the sub-section headed "Non-Exempt Continuing Connected Transaction" in this section from strict compliance with the announcement, circular and independent Shareholders' approval requirements under Rule 14A.35 and Rule 14A.36 of the Listing Rules for the terms ending February 28, 2022.

In addition, we confirm that we will comply with the applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above is exceeded, or when there is a material change in the terms of these transactions.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the view that:

- (a) the non-exempt continuing connected transactions described above for which waivers are sought have been entered into and will be carried out in the ordinary and usual course of business of our Group and all such transactions will be conducted on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole;
- (b) the proposed annual caps of such non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (c) the term of the IP Licensing Agreement, which is longer than three years, is in the normal business practice of our Company and is in the interests of our Company and the Shareholders as a whole and it is a normal business practice for intellectual property license agreements to be of a similar or longer duration in order to minimize the possibility of disruption of our Group's business operation and the occurrence of unnecessary costs.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transactions described above and have obtained confirmations from our Company. Based on the Joint Sponsors' due diligence, the Joint Sponsors are of the view that:

- (a) the non-exempt continuing connected transactions described above for which waivers are sought have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms or better which are fair and reasonable and in the interests of our Company and the Shareholders as a whole;
- (b) the proposed annual caps of such non-exempt continuing connected transactions set out above are fair and reasonable and in the interests of our Company and the Shareholders as a whole; and
- (c) it is in the normal business practice of our Company and in the interests of our Company and the Shareholders as a whole to enter into the IP Licensing Agreement with a term longer than three years.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized shares and shares of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Capitalization Issue and the Global Offering:

As of the date of this Prospectus

	<i>HK\$</i>
Authorized share capital	
20,000,000,000 Shares	20,000
Issued share capital	
1 Share	0.000001

Immediately after the Capitalization Issue

	<i>HK\$</i>
Issued share capital	
5,271,038,024 Shares	5,271.038024

Immediately after Completion of the Global Offering

	<i>HK\$</i>
Shares to be issued under the Global Offering	
930,184,000 Shares	930.184
Total issued Shares on completion of the Global Offering	
6,201,222,024 Shares	6,201.222024

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and Global Offering. The above does not take into account any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

SHARE CAPITAL

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering—Conditions of the Global Offering” in this prospectus, our Directors have been granted general mandates to allot and issue Shares and to repurchase Shares. For further details of this general mandate, please see the section headed “Statutory and General Information—A. Further Information About our Group—4. Resolutions in writing of our Shareholder” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Shares held immediately following the completion of the Capitalization Issue and the Global Offering ⁽¹⁾	
		<i>Number</i>	<i>Percentage</i>
Belle Sports ⁽²⁾	Beneficial Owner	5,271,038,024	85%
Belle International ⁽²⁾	Interest in controlled corporation	5,271,038,024	85%
Muse B ⁽²⁾	Interest in controlled corporation	5,271,038,024	85%
Muse M ⁽²⁾	Interest in controlled corporation	5,271,038,024	85%
Muse Holdings ⁽²⁾	Interest in controlled corporation	5,271,038,024	85%
WMVL ⁽²⁾	Interest in controlled corporation	5,271,038,024	85%
Hillhouse HHBH ^{(2), (3)}	Interest in controlled corporation	5,271,038,024	85%
Hillhouse HHBH Limited ⁽³⁾	Interest in controlled corporation	5,271,038,024	85%
HHBH Investment, L.P. ⁽³⁾	Interest in controlled corporation	5,271,038,024	85%
Hillhouse Capital ⁽³⁾	Interest in controlled corporation	5,271,038,024	85%

Notes:

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Belle Sports is wholly-owned by Belle International, which is wholly-owned by Muse B. Muse B is wholly-owned by Muse M, which is wholly-owned by Muse Holdings. Muse Holdings is held as to 46.36% by WMVL and as to 44.48% by Hillhouse HHBH.
- (3) Hillhouse HHBH is wholly-owned by Hillhouse HHBH Limited, which is wholly-owned by HHBH Investment, L.P. and the sole investment manager of HHBH Investment, L.P. is Hillhouse Capital.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

	<i>(in millions of Hong Kong dollars)</i>
Assuming an Offer Price of HK\$9.20 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus)	8,256.8
Assuming an Offer Price of HK\$10.10 per Offer Share (being the high end of the indicative Offer Price range stated in this prospectus)	9,073.0
Assuming an Offer Price of HK\$8.30 per Offer Share (being the low end of the indicative Offer Price range stated in this prospectus)	7,440.7

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below, assuming an Offer Price of HK\$9.20 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus) and the Over-allotment Option is not exercised:

Percentage of Net Proceeds	Amount	Purpose
Approximately 9.7%	Approximately HK\$800.0 million	Investing in technology initiatives to accelerate the digital transformation of our business, including costs and expenditures for hiring relevant talent, purchasing equipment and upgrading our directly-operated stores, in relation to the potential deployment of smart-store systems to more of our stores and the continued deployment and improvement of our digitalized procurement system and technology-enhanced inventory replenishment system.

FUTURE PLANS AND USE OF PROCEEDS

Percentage of Net Proceeds	Amount	Purpose
Approximately 45.0%	Approximately HK\$3,717.4 million	Repaying our outstanding amounts due to Belle International and our fellow subsidiaries upon Listing. These amounts were RMB3,363.4 million as of the Indebtedness Date. They are unsecured, interest-free and repayable on demand. For more details, please refer to “Financial Information—Indebtedness—Amounts due to related companies” and “Financial Information—Material Related Party Transactions.”
Approximately 26.8%	Approximately HK\$2,210.5 million	Repaying our short-term bank borrowings, which were RMB2.0 billion as of the Latest Practicable Date. Our short-term bank borrowings had a weighted average interest rate of 4.5% per annual as of May 31, 2019, and were used for our working capital purposes. Please see “Financial Information—Indebtedness—Short-term bank borrowings” for more information.
Approximately 10.0%	Approximately HK\$825.7 million	Working capital and other general corporate purposes.
Approximately 8.5%	Approximately HK\$703.2 million	Settlement of our dividend payable. As of the Latest Practicable Date, the balance of our dividend payable was RMB1,902.0 million.

The net proceeds intended to be used to invest in technology initiatives and the net proceeds intended to be used to settle the amounts due to Belle International and our fellow subsidiaries and the short-term bank borrowings are not expected to change. Subject to the above, in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range, the Company would prioritize the net proceeds intended to be used as general working capital, the amount of which will not, in any event, exceed 10% of the net proceeds, and the remaining balance of the net proceeds, if any, would be used to settle the above-mentioned dividend payable.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any material change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

The Over-allotment Option will be granted by the Selling Shareholder and accordingly, the Company will not receive any proceeds from the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, after deducting the underwriting commissions, SFC transaction levy and the Stock Exchange trading fee and based on the Offer Price of HK\$9.20 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the net proceeds which the Selling Shareholder will receive from such exercise of the Over-allotment Option will be approximately HK\$1,251.5 million.

UNDERWRITING

HONG KONG UNDERWRITERS

Merrill Lynch (Asia Pacific) Limited
Morgan Stanley Asia Limited
Goldman Sachs (Asia) L.L.C.
China International Capital Corporation Hong Kong Securities Limited
The Hongkong and Shanghai Banking Corporation Limited
Credit Suisse (Hong Kong) Limited
China Securities (International) Corporate Finance Company Limited
ICBC International Securities Limited
CMB International Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 93,020,000 Hong Kong Offer Shares and the International Offering of initially 837,164,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on September 25, 2019. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to

UNDERWRITING

subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors shall be entitled by notice in writing to the Company and the Relevant Controlling Shareholders to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance or series of events in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including SARS and H5N1), comprehensive sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)) in or affecting the Cayman Islands, the BVI, Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change, or any development involving a prospective change, or any event or circumstance or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

UNDERWRITING

- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, the European Union (or any member thereof) or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
- (v) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of comprehensive sanctions under any sanction laws or regulations in any Relevant Jurisdiction; or
- (vii) any change or development involving a prospective change or amendment in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or any change in any exchange control, in any of the Relevant Jurisdictions or materially and adversely affecting an investment in the Offer Shares; or
- (viii) any litigation, dispute, legal action or claim or regulatory investigation being threatened or instigated against any member of the Group; or
- (ix) the executive Director or chairman of the Company being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (x) the executive Director or chairman of the Company vacating his office; or

UNDERWRITING

- (xi) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xii) a contravention by any member of the Group or any Director of the Listing Rules or applicable laws; or
- (xiii) a prohibition by an authority on the Company or Belle Sports for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be sold pursuant to the exercise of the Over-Allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) material non-compliance by the Company of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;
- (xv) other than with the prior consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) an order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors:

- (1) has or will have or is likely to have a material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group taken as a whole; or

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- (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or
 - (3) makes or will make or is likely to make it inadvisable or impracticable for the Global Offering to proceed or to market the Global Offering; or
 - (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Global Coordinators or the Joint Sponsors:
- (i) that any statement of material fact contained in any of this prospectus, the Application Forms, the formal notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (collectively, the “**Offer Related Documents**”) (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of the Company or any of the Relevant Controlling Shareholders pursuant to the indemnities given by any of them pursuant to the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

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- (v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group taken as a whole; or
- (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties given by the Company or any of the Relevant Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) the Company withdraws any of the Offer Related Documents or the Global Offering; or
- (ix) there is a prohibition on the Company or Belle Sports for whatever reason from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (x) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of this prospectus or any of the Application Forms.

LOCK-UP ARRANGEMENTS

Undertakings by our Company and the Controlling Shareholders to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that it will not exercise its power to issue any further Shares, or securities convertible into Shares (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except (a) pursuant to the Global Offering or (b) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

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(B) Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including pursuant to the stock borrowing agreement expected to be entered into between Belle Sports and the Stabilizing Manager on or about the Price Determination Date (the “**Stock Borrowing Agreement**”) and any exercise of the Over-allotment Option), it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (1) in the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner; or
- (2) in the period of six months commencing from the expiry of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any such Shares referred to in (1) above immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, it will and will procure that the relevant registered holder(s) will:

- (1) when it pledges or charges any Shares beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

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Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement

Our Company has undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, and the Hong Kong Underwriters (save for the issue, offer or sale of the Offer Shares pursuant to the Global Offering), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the First Six-Month Period, not to:

- (i) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company or any shares or other equity securities of such other member of the Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company or any shares or other equity securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other equity securities of our Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company or any shares or other equity securities of such other member of the Group, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or contract to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

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in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company or shares or other equity securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other equity securities will be completed within the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Period**”). In the event that, during the period of six months commencing on the date on which the First Period expires (the “**Second Period**”), our Company shall not enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any of the Relevant Controlling Shareholders (as defined below), directly or indirectly, would cease to be a controlling shareholder (within the meaning defined in the Listing Rules) of our Company. In the event that our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of the Relevant Controlling Shareholders (as defined below) severally but not jointly undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors to use its reasonable endeavours in its capacity as a shareholder of our Company only to procure our Company to comply with the undertakings in (i) above. However, (i) above shall not apply to any transfer of the equity securities of any member of the Group to a wholly-owned subsidiary of the Company or any issue of debt securities by our Company or any other member of the Group, provided that such debt securities are not convertible into equity securities of our Company or any member of the Group.

Undertakings by Certain Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement

Each of Belle Sports, Belle International, Muse Holdings, WMVL and Hillhouse HHHB (the “**Relevant Controlling Shareholders**”) has undertaken to our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager, the Joint Sponsors and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) except for any lending of Shares by Belle Sports pursuant to the Stock Borrowing Agreement and any sale of Shares by Belle Sports pursuant to the exercise of the Over-allotment Option, it will not, at any time during the First Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities

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convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Period);

- (ii) it will not, during the Second Period, enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of the Company;
- (iii) until the expiry of the Second Period, in the event that it enters into any of the transactions specified in (a), (b) or (c) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company; and
- (iv) at any time during after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will (i) if and when it or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it in favour of an authorized institution (as defined in the Banking Ordinance), immediately inform the Company and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged; and (ii) if and when it or the relevant registered holder(s) receives indications, either verbal or written, from any such pledgee or chargee that any of such pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company and the Joint Global Coordinators in writing of such indications. The Company undertakes to the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters that it shall, upon receiving such information in writing from any of the Relevant

UNDERWRITING

Controlling Shareholders, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

For the avoidance of doubt, the lock-up arrangement with the Relevant Controlling Shareholders above shall not prevent any of the Relevant Controlling Shareholders from (a) using the Shares or other securities of the Company or any interest therein beneficially owned by them respectively as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance) (or its affiliates) for a bona fide commercial loan; and (b) purchasing additional Shares or other securities of the Company or any interest therein or dispose of Shares or other securities of the Company or any interest therein thus purchased in the First Period and the Second Period provided that such purchase will not contravene the lock-up arrangement with the Relevant Controlling Shareholders above.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus, and save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company and the Relevant Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers or purchasers for, or themselves to subscribe for or purchase, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering—The International Offering.”

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Over-allotment Option

The Selling Shareholder is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Selling Shareholder may be required to sell up to an aggregate of 139,527,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering—Over-allotment Option.”

Commissions and Expenses

The Underwriters will receive an underwriting commission of 1.75% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

The Underwriters may receive a discretionary incentive fee of up to 0.75% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be sold pursuant to the exercise of the Over-allotment Option).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK\$9.20 per Offer Share (which is the mid-point of the indicative Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK\$246.0 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK\$300.9 million (assuming an Offer Price of HK\$9.20 per Offer Share (which is the mid-point of the Offer Price range) and the full payment of the discretionary incentive fee) and will be paid by our Company, save for the commissions and fees relating to the Offer Shares to be sold by the Selling Shareholder pursuant to the exercise of the Over-allotment Option, which shall be paid by the Selling Shareholder.

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Indemnity

Our Company and the Relevant Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, lending and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions. See “History, Reorganization and Corporate Structure—Prior Listing of Belle International on the Stock Exchange and Subsequent Delisting—Funding of the Privatization” for more details of the Facility Agreement entered into with Bank of America, N.A. (an affiliate of Merrill Lynch Far East Limited and Merrill Lynch (Asia Pacific) Limited) and the security granted in favor of Bank of America, N.A..

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

930,184,000 Offer Shares will initially be made available under the Global Offering comprising:

- (a) the Hong Kong Public Offering of initially 93,020,000 Shares (subject to reallocation) in Hong Kong as described in the sub-section “—The Hong Kong Public Offering”; and
- (b) the International Offering of initially 837,164,000 Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “—The International Offering” below.

Investors may either:

- (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or
- (ii) apply for or indicate an interest for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 15.0% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 17.3% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, Application Forms, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 93,020,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 1.5% of the total Shares in issue immediately following the completion of the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in “Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the

STRUCTURE OF THE GLOBAL OFFERING

other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 46,510,000 Hong Kong Offer Shares is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times and (c) 100 times or more of the total number of Offer Shares initially available under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 279,056,000 Offer Shares (in the case of (a)), 372,074,000 Offer Shares (in the case of (b)) and 465,092,000 Offer Shares (in the case of (c)), representing approximately 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

The Joint Global Coordinators may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed

STRUCTURE OF THE GLOBAL OFFERING

or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK\$8.30 (low-end of the indicative Offer Price range), up to 93,020,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 186,040,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the Maximum Offer Price of HK\$10.10 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$10,201.78 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in “—Pricing and Allocation” below, is less than the Maximum Offer Price of HK\$10.10 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for Hong Kong Offer Shares”.

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an offering of initially 837,164,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 13.5% of the total Shares in issue immediately following the completion of the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “—Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and the Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in “—The Hong Kong Public Offering—Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Selling Shareholder is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Selling Shareholder to sell up to an aggregate

STRUCTURE OF THE GLOBAL OFFERING

of 139,527,000 additional Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be sold pursuant thereto will represent approximately 2.3% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (a) will be conducted at the absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of our Company, (b) may be discontinued at any time and (c) is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (f) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- (b) there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- (c) liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- (d) no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Friday, November 1, 2019, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- (e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- (f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 139,527,000 Shares (being the maximum number of Shares which may be sold pursuant to the exercise of the Over-allotment Option) from Belle Sports, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and Belle Sports on or about the Price Determination Date.

If the Stock Borrowing Agreement with Belle Sports is entered into, the borrowing of Shares will only be effected by the Stabilizing Manager (or any person acting for it) for the settlement of over-allocations in the International Offering and such borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set out in Rule 10.07(3) of the Listing Rules, being that the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Offering, are complied with.

The same number of Shares so borrowed must be returned to Belle Sports or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day for exercising the Over-allotment Option and (b) the day on which the Over-allotment Option is exercised in full.

The Shares borrowing arrangement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Belle Sports by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, October 2, 2019 and, in any event, no later than Wednesday, October 9, 2019, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$10.10 per Offer Share and is expected to be not less than HK\$8.30 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$10.10 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$10,201.78 for one board lot of 1,000 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the lower end of the price range stated in this prospectus.**

STRUCTURE OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at www.topsports.com.cn and www.hkexnews.hk, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters), our Company and the Selling Shareholder, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares—Publication of Results”.

STRUCTURE OF THE GLOBAL OFFERING

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Global Coordinators (on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company and the Relevant Controlling Shareholders expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting”.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- (b) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company;
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters), our Company and the Selling Shareholder on or before Wednesday, October 9, 2019, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at www.topsports.com.cn and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares—Refund of Application Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, October 10, 2019, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, October 10, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, October 10, 2019.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 6110.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. Who Can Apply

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators, as our Company's agents, may accept it at their discretion, and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our Company's subsidiaries;
- you are a director or chief executive of our Company and/or any of our Company's subsidiaries;
- you are a close associate of any of the above persons;
- you are a connected person of our Company or a person who will become a connected person of our Company immediately upon the completion of the Global Offering; or
- you have been allocated or have applied for any International Offer Shares or otherwise participated in the International Offering.

3. Applying for Hong Kong Offer Shares

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **White Form eIPO** service at www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 26, 2019 until 12:00 noon on Wednesday, October 2, 2019 from:

- (a) any of the following offices of the Joint Global Coordinators:
 - (i) Merrill Lynch (Asia Pacific) Limited, at 55/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong;
 - (ii) Morgan Stanley Asia Limited, at Level 46, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong;
 - (iii) Goldman Sachs (Asia) L.L.C., at 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong; and
 - (iv) China International Capital Corporation Hong Kong Securities Limited, at 29/F, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (b) any of the following branches of the receiving banks for the Hong Kong Public Offering:
 - (i) Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	South Horizons Branch	Shop G13 & G15, G/F, Marina Square, West Commercial Block, South Horizons, Ap Lei Chau, Hong Kong
	Wan Chai (Wu Chung House) Branch	213 Queen's Road East, Wan Chai, Hong Kong
Kowloon	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
	Yau Ma Tei Branch	471 Nathan Road, Yau Ma Tei, Kowloon

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

	Branch name	Address
New Territories	Fanling Centre Branch	Shop 2D-E & H, Fanling Centre, Fanling, New Territories
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O, New Territories
	Yuen Long Branch	102-108 Castle Peak Road, Yuen Long, New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II, Tuen Mun, New Territories

(ii) Industrial and Commercial Bank of China (Asia) Limited

	Branch name	Address
Hong Kong Island	Central Branch	1/F., 9 Queen's Road Central, Hong Kong
Kowloon	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tsuen Wan Branch	G/F, 423-427 Castle Peak Road Tsuen Wan, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, September 26, 2019 until 12:00 noon on Wednesday, October 2, 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—TOPSPORTS INTERNATIONAL PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above at the following times:

Thursday, September 26, 2019 — 9:00 a.m. to 5:00 p.m.
Friday, September 27, 2019 — 9:00 a.m. to 5:00 p.m.
Saturday, September 28, 2019 — 9:00 a.m. to 1:00 p.m.
Monday, September 30, 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, October 2, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, October 2, 2019, the last day for applications, or such later time as described in "—Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

4. Terms and Conditions of an Application

Follow the detailed instructions in the **WHITE** or **YELLOW** Application Form carefully, otherwise your application may be rejected.

By submitting a **WHITE** or **YELLOW** Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Joint Global Coordinators (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (b) agree to comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Law;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (e) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- (f) agree that none of our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Controlling Shareholders, any of their or the Company's respective directors, officers, agents, or representatives or advisers or any other person involved in the Global Offering (the "**Relevant Persons**") and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- (h) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which any of them may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither our Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (o) authorize (i) our Company to place your name(s) or the name of HKSCC Nominees on the register of members of our Company as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Memorandum and Articles of Association of our Company and (ii) our Company and/or its agents to send any Share certificate(s) and/or any e-refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in “—Personal Collection” below to collect the Share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as its agent.

Additional Instructions for YELLOW Application Forms

You should refer to the **YELLOW** Application Form for details.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Thursday, September 26, 2019 until 11:30 a.m. on Wednesday, October 2, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, October 2, 2019, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application will be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Topsports International Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

6. Applying By Giving Electronic Application Instructions to HKSCC via CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre, 1/F
One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus; and

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(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;
- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorize our Company to place HKSCC Nominees' name on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
- agree that neither our Company nor the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree to disclose to our Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which they may require about you;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company, and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by our Company;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Memorandum and Articles of Association of our Company, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance; and
- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

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Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the Maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, September 26, 2019 — 9:00 a.m. to 8:30 p.m.
Friday, September 27, 2019 — 8:00 a.m. to 8:30 p.m.
Monday, September 30, 2019 — 8:00 a.m. to 8:30 p.m.
Wednesday, October 2, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, September 26, 2019 until 12:00 noon on Wednesday, October 2, 2019 (24 hours daily, except on Wednesday, October 2, 2019, the last day for applications).

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The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, October 2, 2019, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. Warning for Electronic Applications

The application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. Our Company,

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the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System for submission of their **electronic application instructions**, they should either (a) submit a **WHITE** or **YELLOW** Application Form or (b) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, October 2, 2019, the last day for applications, or such later time as described in “—Effect of Bad Weather on the Opening and Closing of the Application Lists” below.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees,” you must include:

- an account number; or
- some other identification code

for **each** beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

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“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Maximum Offer Price is HK\$10.10 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 1,000 Hong Kong Offer Shares, you will pay HK\$10,201.78.

You must pay the Maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

The Application Forms have tables showing the exact amount payable for the numbers of Offer Shares that may be applied for.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure of the Global Offering—Pricing and Allocation.”

C. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions

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in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, October 2, 2019. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, October 2, 2019 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable”, an announcement will be made.

D. PUBLICATION OF RESULTS

Our Company expects to announce the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Wednesday, October 9, 2019 on the websites of our Company at www.topsports.com.cn and the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the websites of our Company and the Stock Exchange at www.topsports.com.cn and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Wednesday, October 9, 2019;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Wednesday, October 9, 2019 to 12:00 midnight on Tuesday, October 15, 2019;
- from the allocation results telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 9, 2019 to Saturday, October 12, 2019; and
- in the special allocation results booklets which will be available for inspection during the opening hours of the individual receiving banks’ designated branches referred to above from Wednesday, October 9, 2019 to Friday, October 11, 2019.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(a) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (i) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person’s responsibility for this prospectus; or
- (ii) if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

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If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the applications lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- you apply for more than 46,510,000 Hong Kong Offer Shares, being 50% of the 93,020,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;

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- our Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering—Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, October 9, 2019.

G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Form(s), subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) Share certificate(s) for all the Hong Kong Offer Shares allocated to you (for applicants on **YELLOW** Application Forms, Share certificate(s) for the Hong Kong Offer Shares allocated to you will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the

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Maximum Offer Price paid on application in the event that the Offer Price is less than the Maximum Offer Price paid on application (including brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% but without interest).

Part of the Hong Kong identity card number/passport number provided by you or the first-named applicant (if you are joint applicants) may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

Subject to arrangement on dispatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Wednesday, October 9, 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, October 10, 2019, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(a) If you apply using a WHITE Application Form:

- If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 9, 2019, or any other place or date notified by our Company in the newspapers.
- If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant who is eligible for personal collection, your authorized representative must provide a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

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- If you do not personally collect your refund cheque(s) and/or Share certificate(s) (where applicable) within the time specified for collection, they will be dispatched promptly to you to the address specified in your Application Form by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares on a **WHITE** Application Form, your refund cheque(s) and/or Share certificate(s) (where applicable) will be sent to the address specified in your Application Form on or before Wednesday, October 9, 2019 by ordinary post and at your own risk.

*(b) If you apply using a **YELLOW** Application Form:*

- If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address specified in the Application Form on or before Wednesday, October 9, 2019 by ordinary post and at your own risk.
- If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or your designated CCASS Participant's stock account as stated in your Application Form on Wednesday, October 9, 2019 or, in the event of a contingency, on any other date determined by HKSCC or HKSCC Nominees.
- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant), for Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.
- If you apply as a CCASS Investor Participant, our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering on Wednesday, October 9, 2019 in the manner as described in "—Publication of Results" above.
- You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 9, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System. HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account.

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(c) If you apply through White Form eIPO service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 9, 2019, or any other place or date notified by our Company in the newspapers as the date of dispatch or collection of Share certificates.
- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 9, 2019 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

(d) If you apply by giving electronic application instructions to HKSCC via CCASS:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 9, 2019 or on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “—Publication of Results” above on Wednesday, October 9, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 9, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, October 9, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the Maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 9, 2019.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TOPSPORTS INTERNATIONAL HOLDINGS LIMITED AND MERRILL LYNCH FAR EAST LIMITED AND MORGAN STANLEY ASIA LIMITED

Introduction

We report on the historical financial information of Topsports International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-63, which comprises the consolidated balance sheets as at February 28, 2017, 2018 and 2019 and May 31, 2019, the company balance sheets as at February 28, 2019 and May 31, 2019, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 26, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified

Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at February 28, 2019 and May 31, 2019 and the consolidated financial position of the Group as at February 28, 2017, 2018 and 2019 and May 31, 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended May 31, 2018 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and

applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 2.2 and 3.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 34 to the Historical Financial Information which contains information about the dividends paid by Topsports International Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

September 26, 2019

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest 0.1 million ("RMB 0.1 million") except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	Three months ended				
		Year ended February 28			May 31	
		2017	2018	2019	2018	2019
		RMB million	RMB million	RMB million	RMB million	RMB million
		<i>(Unaudited)</i>				
Revenue	7	21,690.3	26,549.9	32,564.4	7,902.1	8,937.1
Cost of sales	9	(12,311.9)	(15,511.6)	(18,957.1)	(4,470.9)	(5,057.3)
Gross profit		9,378.4	11,038.3	13,607.3	3,431.2	3,879.8
Selling and distribution expenses	9	(6,097.5)	(7,327.8)	(9,247.5)	(2,252.5)	(2,453.1)
General and administrative expenses	9	(1,384.7)	(1,538.0)	(1,293.2)	(322.1)	(397.2)
Impairment of trade receivables	23	–	–	(33.7)	–	–
Other income	8	43.7	79.5	203.9	23.7	54.8
Operating profit		1,939.9	2,252.0	3,236.8	880.3	1,084.3
Finance income	10	41.7	11.3	20.0	4.2	2.8
Finance costs	10	(89.6)	(149.5)	(211.5)	(47.9)	(61.5)
Finance costs, net		(47.9)	(138.2)	(191.5)	(43.7)	(58.7)
Profit before income tax		1,892.0	2,113.8	3,045.3	836.6	1,025.6
Income tax expense	11	(574.7)	(677.8)	(845.5)	(239.5)	(288.9)
Profit for the year/ period attributable to equity holders of the Company		1,317.3	1,436.0	2,199.8	597.1	736.7
Earnings per share for profit attributable to equity holders of the Company						
Basic and diluted earnings per share	12	1,317.3	1,436.0	2,199.8	597.1	736.7

Note: The basic earnings per share is calculated based on 1 ordinary share of the Company deemed to have been in issue since March 1, 2016. The earnings per share has not taken into account the proposed Capitalization Issue (as defined in Note 29) pursuant to the resolutions of the sole shareholder dated September 6, 2019 because the proposed Capitalization Issue has not been effected as at the date of this report.

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three months ended					
	Year ended February 28			May 31		
	<i>Note</i>	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
Profit for the year/period		1,317.3	1,436.0	2,199.8	597.1	736.7
Other comprehensive income						
<i>Items that may be subsequently reclassified to profit or loss</i>						
Exchange differences		—	—	1.5	(0.1)	1.2
Total comprehensive income for the year/period attributable to equity holders of the Company		<u>1,317.3</u>	<u>1,436.0</u>	<u>2,201.3</u>	<u>597.0</u>	<u>737.9</u>

(C) CONSOLIDATED BALANCE SHEETS

	Note	As at February 28			As at
		2017	2018	2019	May 31
		RMB million	RMB million	RMB million	2019
					RMB million
ASSETS					
Non-current assets					
Property, plant and equipment	15	811.9	980.4	1,115.6	1,030.7
Right-of-use assets	16(a)	1,989.5	2,659.0	3,451.8	3,360.6
Land use rights	17	196.3	–	–	–
Investment properties	18	7.3	–	–	–
Intangible assets	19	1,112.1	1,076.5	1,144.8	1,132.8
Long-term deposits, prepayments and other receivables	20	151.6	178.3	214.9	245.1
Deferred income tax assets	21	86.3	118.5	128.4	187.6
		<u>4,355.0</u>	<u>5,012.7</u>	<u>6,055.5</u>	<u>5,956.8</u>
Current assets					
Inventories	22	4,154.1	4,616.8	6,138.7	6,526.9
Trade receivables	23	1,858.9	2,633.3	2,517.8	2,413.6
Deposits, prepayments and other receivables	20	615.6	590.5	801.9	1,343.1
Amounts due from related companies	33	523.6	782.1	52.0	–
Bank balances and cash	24	674.3	463.6	650.5	762.7
		<u>7,826.5</u>	<u>9,086.3</u>	<u>10,160.9</u>	<u>11,046.3</u>
Non-current assets held for sale	25	–	253.8	–	–
		<u>7,826.5</u>	<u>9,340.1</u>	<u>10,160.9</u>	<u>11,046.3</u>
Total assets		<u>12,181.5</u>	<u>14,352.8</u>	<u>16,216.4</u>	<u>17,003.1</u>
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	21	27.4	18.5	127.3	143.3
Lease liabilities	16(b)	1,348.0	1,786.6	2,301.1	2,199.6
		<u>1,375.4</u>	<u>1,805.1</u>	<u>2,428.4</u>	<u>2,342.9</u>
Current liabilities					
Trade payables	26	336.5	390.7	642.0	411.0
Other payables, accruals and other liabilities	27	1,117.0	1,356.5	1,434.9	1,173.9
Amounts due to related companies	33	3,499.0	5,319.9	3,560.2	3,355.2
Dividend payable	34	–	–	3,500.0	3,500.0
Short-term borrowings	28	–	400.0	1,300.0	1,998.2
Lease liabilities	16(b)	504.8	698.0	999.8	1,011.0
Current income tax liabilities		454.6	601.2	402.3	524.2
		<u>5,911.9</u>	<u>8,766.3</u>	<u>11,839.2</u>	<u>11,973.5</u>
Total liabilities		<u>7,287.3</u>	<u>10,571.4</u>	<u>14,267.6</u>	<u>14,316.4</u>
Net assets		<u>4,894.2</u>	<u>3,781.4</u>	<u>1,948.8</u>	<u>2,686.7</u>
EQUITY					
Equity attributable to equity holders of the Company					
Share capital	29	–	–	–	–
Other reserves	30	1,581.5	1,365.7	1,458.0	1,485.0
Retained earnings		3,312.7	2,415.7	490.8	1,201.7
Total equity		<u>4,894.2</u>	<u>3,781.4</u>	<u>1,948.8</u>	<u>2,686.7</u>

(D) BALANCE SHEETS OF THE COMPANY

	<i>Note</i>	As at February 28, 2019 RMB million	As at May 31, 2019 RMB million
ASSETS			
Non-current assets			
Investments in subsidiaries		19,320.0	19,320.0
Current assets			
Amounts due from subsidiaries		3,500.0	3,499.8
Total assets		22,820.0	22,819.8
LIABILITIES			
Current liabilities			
Accruals		–	33.1
Dividend payable	34	3,500.0	3,500.0
Total liabilities		3,500.0	3,533.1
Net assets		19,320.0	19,286.7
EQUITY			
Share capital	29	–	–
Other reserve	30	19,320.0	19,320.0
Retained earnings/(accumulated losses)	30	–	(33.3)
Total equity		19,320.0	19,286.7

(E) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the Company			Total equity RMB million
	Share capital RMB million	Other reserves RMB million (Note 30)	Retained earnings RMB million	
At March 1, 2016	–	1,220.5	3,777.5	4,998.0
Profit and total comprehensive income for the year	–	–	1,317.3	1,317.3
Appropriation to statutory reserves	–	167.2	(167.2)	–
Dividends (Note 34)	–	–	(1,614.9)	(1,614.9)
Share-based compensation expense under share award scheme of Belle International Holdings Limited (“Belle International”) (Note 13)	–	193.8	–	193.8
Total transactions with equity holders	–	361.0	(1,782.1)	(1,421.1)
At February 28, 2017	–	1,581.5	3,312.7	4,894.2
At March 1, 2017	–	1,581.5	3,312.7	4,894.2
Profit and total comprehensive income for the year	–	–	1,436.0	1,436.0
Appropriation to statutory reserves	–	116.0	(116.0)	–
Dividends (Note 34)	–	–	(2,217.0)	(2,217.0)
Share-based compensation expense under share award scheme of Belle International (Note 13)	–	347.4	–	347.4
Repatriation of share-based compensation expense to Belle International (Note 13)	–	(679.2)	–	(679.2)
Total transactions with equity holders	–	(215.8)	(2,333.0)	(2,548.8)
At February 28, 2018	–	1,365.7	2,415.7	3,781.4

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	<i>RMB million</i>	<i>RMB million</i> <i>(Note 30)</i>	<i>RMB million</i>	<i>RMB million</i>
At March 1, 2018	–	1,365.7	2,415.7	3,781.4
Comprehensive income				
Profit for the year	–	–	2,199.8	2,199.8
Other comprehensive income				
Exchange difference	–	1.5	–	1.5
Total comprehensive income for the year	–	1.5	2,199.8	2,201.3
Appropriation to statutory reserves	–	50.4	(50.4)	–
Dividends (<i>Note 34</i>)	–	–	(4,074.3)	(4,074.3)
Issue of share to give effect the Reorganization (as defined in <i>Note 2.1</i>)	–	(10.0)	–	(10.0)
Other contributions from Belle International (<i>Note 25</i>)	–	50.4	–	50.4
Total transactions with equity holders	–	90.8	(4,124.7)	(4,033.9)
At February 28, 2019	–	1,458.0	490.8	1,948.8

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	<i>RMB million</i>	<i>RMB million</i> <i>(Note 30)</i>	<i>RMB million</i>	<i>RMB million</i>
(Unaudited)				
At March 1, 2018	–	1,365.7	2,415.7	3,781.4
Comprehensive income				
Profit for the period	–	–	597.1	597.1
Other comprehensive income				
Exchange difference	–	(0.1)	–	(0.1)
Total comprehensive income for the period	–	(0.1)	597.1	597.0
Appropriation to statutory reserves	–	34.2	(34.2)	–
Dividends (<i>Note 34</i>)	–	–	(12.5)	(12.5)
Total transactions with equity holders	–	34.2	(46.7)	(12.5)
At May 31, 2018	–	1,399.8	2,966.1	4,365.9

	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	<i>RMB million</i>	<i>RMB million</i> <i>(Note 30)</i>	<i>RMB million</i>	<i>RMB million</i>
At March 1, 2019	–	1,458.0	490.8	1,948.8
Comprehensive income				
Profit for the period	–	–	736.7	736.7
Other comprehensive income				
Exchange difference	–	1.2	–	1.2
Total comprehensive income for the period	–	1.2	736.7	737.9
Appropriation to statutory reserves	–	25.8	(25.8)	–
Total transactions with equity holders	–	25.8	(25.8)	–
At May 31, 2019	–	1,485.0	1,201.7	2,686.7

(F) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended February 28			Three months ended	
		2017	2018	2019	May 31	2019
		RMB million	RMB million	RMB million	RMB million	RMB million
					(Unaudited)	
Cash flows from operating activities						
Net cash generated from operations	31(a)	2,443.6	3,249.1	4,091.7	566.6	335.4
Income tax paid		(615.0)	(572.3)	(945.5)	(491.0)	(210.2)
Net cash generated from operating activities		<u>1,828.6</u>	<u>2,676.8</u>	<u>3,146.2</u>	<u>75.6</u>	<u>125.2</u>
Cash flows from investing activities						
Payments for purchases of property, plant and equipment and intangible assets	31(b)	(609.7)	(763.2)	(917.9)	(111.5)	(121.5)
Proceeds from disposals of property, plant and equipment	31(c)	5.0	9.9	9.7	5.7	7.5
Payments for acquisition of a business	31(e)	–	–	(94.3)	–	–
Placement of structured bank deposits		(860.0)	–	(400.0)	(400.0)	–
Proceeds from maturity of structured bank deposits		2,557.8	–	400.0	–	–
Interest received		41.4	11.3	20.0	4.2	2.8
Net cash generated from/ (used in) investing activities		<u>1,134.5</u>	<u>(742.0)</u>	<u>(982.5)</u>	<u>(501.6)</u>	<u>(111.2)</u>
Cash flows from financing activities						
Repayments of borrowings	31(d)	(229.0)	–	–	–	–
Proceeds from borrowings	31(d)	–	–	1,100.0	–	–
Payment for lease liabilities (including interest)	31(d)	(759.2)	(1,195.7)	(1,535.1)	(323.5)	(433.2)
Transfer of non-current assets held for sale as part of the Reorganization		–	–	126.7	–	–
Changes in balances with related companies		(169.8)	883.2	(862.1)	423.9	(153.0)
Interest paid for bank borrowings		–	(16.0)	(32.0)	(10.0)	(13.8)
Dividends paid to then equity holders		(1,614.9)	(2,217.0)	(574.3)	(12.5)	–
Net cash (used in)/generated from financing activities		<u>(2,772.9)</u>	<u>(2,545.5)</u>	<u>(1,776.8)</u>	<u>77.9</u>	<u>(600.0)</u>
Net increase/(decrease) in cash and cash equivalents		<u>190.2</u>	<u>(610.7)</u>	<u>386.9</u>	<u>(348.1)</u>	<u>(586.0)</u>
Cash and cash equivalents at beginning of the year/period		<u>484.1</u>	<u>674.3</u>	<u>63.6</u>	<u>63.6</u>	<u>450.5</u>
Cash and cash equivalents at end of the year/period		<u><u>674.3</u></u>	<u><u>63.6</u></u>	<u><u>450.5</u></u>	<u><u>(284.5)</u></u>	<u><u>(135.5)</u></u>
Cash and cash equivalents comprise of:						
Bank balances and cash	24	674.3	463.6	650.5	615.5	762.7
Bank overdrafts	28	–	(400.0)	(200.0)	(900.0)	(898.2)
		<u>674.3</u>	<u>63.6</u>	<u>450.5</u>	<u>(284.5)</u>	<u>(135.5)</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION

Topsports International Holdings Limited (the "Company") was incorporated in the Cayman Islands on September 5, 2018 as an exempted company with limited liability under the Cayman Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised). The address of the Company's registered office is P.O. Box 309, Uglad House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of sportswear products and leasing commercial spaces to other retailers for concessionaire sales (the "Listing Business") in the People's Republic of China (the "PRC"). The immediate holding company and an intermediate holding company of the Company are Belle Sports Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability and Belle International Holdings Limited ("Belle International"), a company incorporated in the Cayman Islands with limited liability, respectively. The directors of the Company regard Muse Holdings Inc. ("Muse Inc."), a company incorporated in the Cayman Islands with limited liability, as being the ultimate holding company and the ultimate controlling party of the Company.

2 REORGANIZATION AND BASIS OF PRESENTATION

2.1 Reorganization

The Company is a newly incorporated investment holding company. In preparation for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), a group reorganization was undertaken pursuant to which companies operating the Listing Business were transferred to a new holding structure under the Company (the "Reorganization"). Immediately prior to the Reorganization and during the Track Record Period, the Listing Business was principally operated and managed under certain wholly-owned subsidiaries of Belle International, namely Fullbest Investments Limited ("Fullbest"), a company incorporated in the BVI with limited liability, Full Sport Holdings Limited ("Full Sport"), a company incorporated in Hong Kong with limited liability, and Synergy Eagle Limited ("Synergy Eagle"), a company incorporated in the BVI with limited liability. Fullbest, Full Sport and Synergy Eagle are investment holding companies holding the operating entities of the Listing Business in the PRC through certain intermediate holding companies, namely Full State Corporation Limited ("Full State"), Main Success Enterprises Limited ("Main Success"), Rich Advance Limited ("Rich Advance"), Hongkong Full Wealth Holdings Limited ("Full Wealth") and Sino Group Development Limited ("Sino Group"). All these entities are investment holding companies incorporated in Hong Kong with limited liability.

Upon completion of the Reorganization, the Company became the holding company of all companies now comprising the Group. The Reorganization mainly involved the following:

- (a) On September 7, 2018, Belle Sports Limited ("Belle Sports") was incorporated in the BVI with 1 ordinary share allotted and issued to Belle International at par of US\$0.10 and credited as fully paid.
- (b) On September 5, 2018, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$500,000, divided into 5,000,000 shares with a par value of US\$0.10 each. Upon its incorporation, 1 share was allotted and issued to Mapcal Limited and credited as fully paid. On the same day, the share was transferred to Belle International and thereafter transferred to Belle Sports on September 19, 2018.
- (c) On September 19, 2018, Topsports Group Limited ("Topsports BVI") was incorporated in the BVI with 1 ordinary share allotted and issued to the Company at par of US\$0.10 and credited as fully paid. As a result, Topsports BVI became a wholly owned subsidiary of the Company.
- (d) On November 26, 2018, the following shares transfer were undertaken:
 - (i) all issued shares of Full Grace Limited ("Full Grace HK"), an investment holding company incorporated in Hong Kong with limited liability, were transferred to Full Grace Limited ("Full Grace BVI"), a company incorporated in the BVI with limited liability. Thereafter, all issued shares of Full Grace BVI were transferred to Double Increase Limited ("Double Increase"). In addition, all issued shares of Sino High Limited ("Sino High"), an investment holding company incorporated in the BVI with limited liability were also transferred to Double Increase. Double

Increase, a company incorporated in the BVI with limited liability, is a wholly owned subsidiary of Belle International and outside the companies now comprising the Group. Full Grace HK and Sino High collectively held the entire equity interest in a PRC incorporated subsidiary of Belle International which held certain properties in the PRC.

- (ii) all issued shares of Main Success and Rich Advance were transferred to Sino Group, an indirect wholly owned subsidiary of Synergy Eagle. All issued shares of Full Wealth and Sino Group were then transferred to Full State, a wholly owned subsidiary of Fullbest. As a result, (i) each of Main Success, Rich Advance, Full Wealth and Sino Group became an indirect wholly owned subsidiary of Fullbest; and (ii) Full Sport became dormant and will be deregistered.
- (iii) all issued shares of Fullbest were transferred to Topsports BVI. As a result, Fullbest became a wholly owned subsidiary of Topsports BVI and an indirect wholly owned subsidiary of the Company.
- (e) For the purpose of the Listing, certain properties held by the entities comprising the Listing Business have also been transferred to other entities controlled by Belle International. Details of these have been disclosed in Note 25.

Upon completion of the Reorganization on November 26, 2018 and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries as if they were in existence during the Track Record Period:

Name of subsidiaries	Place and date of incorporation/ establishment/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group					Note
				As at February 28, 2017	2018	2019	As at May 31, 2019	As at date of report	
<u>Directly held:</u>									
Topsports BVI	BVI, September 19, 2018	1 ordinary share of US\$0.10	Investment holding	N/A	N/A	100%	100%	100%	(b)
<u>Indirectly held:</u>									
Fullbest	BVI, June 30, 2006	20,000 ordinary shares of US\$1 each	Investment holding	100%	100%	100%	100%	100%	(b)
Synergy Eagle	BVI, January 20, 2012	10,000 ordinary shares of US\$1 each	Investment holding	100%	100%	100%	100%	100%	(b)
Full State	Hong Kong, May 15, 1981	HK\$10,000,000 for 10,000,000 ordinary shares issued	Investment holding and trading of sportswear products	100%	100%	100%	100%	100%	(a)
Main Success	Hong Kong, September 8, 2006	HK\$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	100%	100%	100%	100%	(a)
Rich Advance	Hong Kong, October 26, 2006	HK\$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	100%	100%	100%	100%	(a)
Full Wealth	Hong Kong, July 17, 2007	HK\$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	100%	100%	100%	100%	(a)

APPENDIX I

ACCOUNTANT'S REPORT OF THE GROUP

Name of subsidiaries	Place and date of incorporation/ establishment/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group					As at date of report	Note
				As at February 28, 2017	As at February 28, 2018	As at February 28, 2019	As at May 31, 2019			
Sino Group	Hong Kong, December 7, 2006	HK\$8,000,000 for 8,000,000 ordinary shares issued	Investment holding and trading of sportswear products	100%	100%	100%	100%	100%	(a)	
陝西滔搏體育商貿有限公司 (Shaanxi Taobo Sports Commerce and Trade Co., Ltd.) [#]	The PRC, November 21, 2005	RMB240,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
成都市滔搏商貿有限公司 (Chengdu Taobo Trading Company Limited) [#]	The PRC, November 30, 2005	RMB242,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
雲南立銳體育用品有限公司 (Yunnan Lirui Sports Products Co., Ltd.) [#]	The PRC, December 5, 2005	RMB220,750,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
百朗商貿(深圳)有限公司 (Bailang Commerce and Trade (Shenzhen) Co., Ltd.) [#]	The PRC, December 16, 2005	US\$5,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
北京崇德商貿有限公司 (Beijing Chongde Trading Co., Ltd.) [#]	The PRC, December 19, 2005	US\$12,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
青島傳承國際商貿有限公司 (Qingdao Chuancheng International Trading Company Limited) [#]	The PRC, December 22, 2005	US\$32,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
麗珂貿易(瀋陽)有限公司 (Like Trade (Shenyang) Co., Ltd.) [#]	The PRC, January 9, 2006	US\$32,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
天津十力崇德運動服飾有限公司 (Tianjin Shili Chongde Sports Clothing Co., Ltd.) [#]	The PRC, January 10, 2007	RMB2,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
領聘貿易(上海)有限公司 (Lingpin Trading Shanghai Company Limited) [#]	The PRC, February 26, 2007	US\$1,000,000	Operation of sports cities business and investment holdings	100%	100%	100%	100%	100%	(b)	
河南頤和國際商貿有限公司 (Henan Yihe International Trading Company Limited) [#]	The PRC, April 5, 2007	US\$1,000,000	Operation of sports cities business	100%	100%	100%	100%	100%	(b)	
滔博商貿(瀋陽)有限公司 (Taobo Commerce and Trade (Shenyang) Co., Ltd.) [#]	The PRC, April 10, 2007	US\$5,000,000	Operation of sports cities business and investment holdings	100%	100%	100%	100%	100%	(b)	
湖北競速商貿有限公司 (Hubei (Jingsu Commerce and Trade Co., Ltd.) [#]	The PRC, July 17, 2007	US\$1,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	

Name of subsidiaries	Place and date of incorporation/ establishment/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group					As at date of report	Note
				As at February 28, 2017	As at February 28, 2018	As at February 28, 2019	As at May 31, 2019			
貴州滔搏體育用品有限公司 (Guizhou Taobo Sports Company Limited) [#]	The PRC, July 19, 2007	RMB5,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
河南智華商貿有限公司 (Henan Zhihua Commerce and Trade Co., Ltd.) [#]	The PRC, September 28, 2007	RMB5,000,000	Operation of sports cities business	100%	100%	100%	100%	100%	(b)	
北京滔捷商貿有限公司 (Beijing Taojie Commerce and Trade Co., Ltd.) [#]	The PRC, October 15, 2007	US\$1,000,000	Operation of sports cities business and investment holdings	100%	100%	100%	100%	100%	(b)	
重慶市滔搏商貿有限公司 (Chongqing Taobo Commerce and Trade Co., Ltd.) [#]	The PRC, February 4, 2008	US\$2,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
浙江滔搏體育用品有限公司 (Zhejiang Taobo Sports Products Co., Ltd.) [#]	The PRC, February 13, 2008	RMB87,264,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
石家莊滔搏商貿有限公司 (Shijiazhuang Taobo Trading Company Limited) [#]	The PRC, February 18, 2008	RMB27,277,100	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
山西滔搏商貿有限公司 (Shanxi Taobo Commerce and Trade Co., Ltd.) [#]	The PRC, February 18, 2008	RMB37,118,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
江蘇滔搏體育用品有限公司 (Nanjing Taobo Sports Products Co., Ltd.) [#]	The PRC, March 18, 2008	RMB81,946,900	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
廣西百朗體育用品有限公司 (Bailang Sports Products Co., Ltd.) [#]	The PRC, March 14, 2012	RMB5,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
滔搏投資(上海)有限公司 (Topsports Investment (Shanghai) Co., Ltd.) [#]	The PRC, May 7, 2012	US\$30,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
湖南滔搏商貿有限公司 (Hunan Taobo Trading Company Limited) [#]	The PRC, June 20, 2013	RMB15,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
雲盛海宏信息技術(深圳)有限公司 (Wonhigh Information Technology (Shenzhen) Co., Ltd.) [#]	The PRC, May 22, 2014	HK\$60,000,000	Provision of information technology services	100%	100%	100%	100%	100%	(b)	
廈門永朗商貿有限公司 (Xiamen Yonglang Trading Company Limited) [#]	The PRC, October 9, 2015	RMB5,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
滔搏企業發展(上海)有限公司 (Topsports Enterprise Development (Shanghai) Company Limited) [#]	The PRC, March 10, 2016	RMB100,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	

Name of subsidiaries	Place and date of incorporation/ establishment/ acquisition	Issued and fully paid up share capital	Principal activities	Effective interest held by the Group					As at date of report	Note
				As at February 28, 2017	As at February 28, 2018	As at February 28, 2019	As at May 31, 2019			
滔搏運動服飾(天津)有限公司 (Taobo Sports (Tianjin) Company Limited) [#]	The PRC, October 22, 2018	RMB50,000,000	Trading of sportswear products	100%	100%	100%	100%	100%	(b)	
大連傳承滔搏商貿有限公司 (Dalian Chuancheng Taobo Trading Company Limited) [#]	The PRC, February 18, 2019	RMB2,000,000	Trading of sportswear products	-	-	100%	100%	100%	(b)	
黑龍江省滔搏商貿有限公司 (Heilongjiang Taobo Trading Company Limited) [#]	The PRC, February 25, 2019	RMB2,000,000	Trading of sportswear products	-	-	100%	100%	100%	(b)	
吉林省傳承滔搏商貿有限公司 (Jilin Chuancheng Taobo Trading Company Limited) [#]	The PRC, February 18, 2019	RMB2,000,000	Trading of sportswear products	-	-	100%	100%	100%	(b)	

English translation is for identification purpose only. The English names of the group companies incorporated in the PRC represent the best effort by the management of the Group in translating its Chinese name as they do not have official English names.

Notes:

- (a) The statutory auditor of the subsidiary is PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.
- (b) No audited financial statements have been prepared for these companies as they are newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.

2.2 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business is held by Belle International. Pursuant to the Reorganization, the Listing Business is transferred to and held by the Company. The Company and those companies newly set up during the Reorganization have not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under Belle International and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the Listing Business, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business under the consolidated financial statements of Belle International for all periods presented.

In addition, the Historical Financial Information also included certain assets, liabilities and results of operations relating to the Listing Business involved by certain entities that are not companies now comprising the Group on the basis that transactions and balances of these entities specifically identified as relating to the Listing Business were consolidated in the Historical Financial Information, while those specifically identified as unrelated to the Listing Business had been excluded from the Historical Financial Information; and there is no significant expenses and balances not specifically identified as relating to the Listing Business.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

3.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention. The Group adopted all of the new standards, amendments to standards, and interpretations that are effective on March 1, 2019 throughout the Track Record Period.

As at May 31, 2019, the Group’s current liabilities exceeded its current assets by RMB927.2 million, which included a dividend payable to the sole shareholder of the Company amounting to RMB3,500.0 million declared by the Company during the year ended February 28, 2019. In preparing this Historical Financial Information, the directors have taken into account the projected future performance of the Group, its unused banking facilities and other available sources of financing, and concluded that the Group has sufficient financial resources to continue in operational existence for the foreseeable future and are therefore satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

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

A number of new standards and amendments to standards have been issued but are not effective for the year beginning on or after March 1, 2019 and have not been early adopted by the Group:

Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint venture ⁽³⁾
IFRS 17	Insurance contracts ⁽²⁾
Amendment to IAS 1 and IAS 8	Definition of material ⁽¹⁾
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ⁽¹⁾
Amendments to IFRS 3	Definition of a business ⁽¹⁾

⁽¹⁾ Effective for the Group for annual period beginning on March 1, 2020.

⁽²⁾ Effective for the Group for annual period beginning on March 1, 2021.

⁽³⁾ Effective date to be determined.

The Company’s directors have performed an assessment on these new standards and amendments to standards, and have concluded on a preliminary basis that the adoption of these new standards and amendments to standards is not expected to have a significant impact on the Group’s financial performance and position.

3.2 Subsidiaries

(a) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and balance sheets respectively.

(i) *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(b) *Separate financial statements*

Investments in subsidiaries are accounted for at cost less any impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

3.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) *Group companies*

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- (ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- (iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

3.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Leasehold improvements	Shorter of 1-3 years and the lease terms
Furniture and fixtures and other equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and are recognized in profit or loss.

3.6 Accounting for leases

(a) *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are recognized on a straight-line basis as an expense in profit or loss over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent borrowings as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; and purchase option or extension option payments if the Group has enforceable rights and is reasonably certain to exercise these options.

The lease liability is presented as a separate line in the consolidated balance sheets.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

A lease liability is remeasured upon a change in the lease term, changes in an index or rate used to determine the lease payments or reassessment of exercise of a purchase or extension option. The corresponding adjustment is made to the related right-of-use asset.

A right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs, if any, and restoration costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

A right-of-use asset is depreciated over the shorter period of lease term and useful life of the underlying asset. The right-of-use assets are presented as a separate line in the consolidated balance sheets.

The Group applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.10.

Variable lease payments that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included under "Lease expenses" within the consolidated statements of profit or loss.

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties and sports complex operations.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

3.7 Land use rights

Land use rights are stated at cost less accumulated amortization and accumulated impairment losses, if any. Cost represents consideration paid for the rights to use the land on which various plants and buildings are situated. Amortization of land use rights is calculated on a straight-line basis over the period of leases.

3.8 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property. Investment property is carried at cost, including the related transaction costs, less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are expensed in profit or loss during the reporting period in which they are incurred.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

3.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

(b) Acquired distribution and license contracts

Distribution and license contracts acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired distribution and license contracts over their estimated useful lives of 7 years.

(c) Other intangible assets

Intangible assets other than goodwill and acquired distribution and license contracts are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortized on a straight-line basis over its useful life and carried at cost less accumulated amortization and accumulated impairment losses. E-Sports licenses and contracts are amortized over their estimated useful lives ranging from 3 to 10 years.

3.10 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet ready for use are not subject to amortization and are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.11 Inventories

Inventories, comprising merchandise for sale and consumables, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods comprises purchase cost from suppliers. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.12 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

3.13 Financial assets**(a) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through

OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statements of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 4.1 (c) for further details.

3.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or its subsidiaries or the counterparty.

3.15 Trade receivables

Trade receivables are amounts due from sale of goods or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or any in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.13 (c) for further information about the Group's accounting for trade receivables and Note 3.13 (d) for a description of the Group's impairment policies.

3.16 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheets.

3.17 Share capital

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

3.19 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

3.20 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

3.21 Employee benefits and share-based compensation**(a) Employee leave entitlements**

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(c) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

(d) Share-based compensation

Belle International operated a share award scheme during the Track Record Period under which Belle International and its subsidiaries (including the Group) received services from employees as consideration for equity instruments of Belle International. The fair value of the employee services received by the Group in exchange for the grant of equity instruments of Belle International is recognized as an expense over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied, and credited to capital contribution-share-based compensation reserve under equity in respect of the grant of equity instruments of the Belle International.

For grant of awarded shares, the total amount to be expensed is determined by reference to the fair value of the awarded shares granted at the grant date. Non-market performance conditions and services conditions are included in assumptions about the number of awarded shares that are expected to become vested.

At each balance sheet date, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest and recognizes the impact of the revision of original estimates, if any, in the consolidated statements of profit or loss of the Group, with a corresponding adjustment made to equity over the remaining vesting period.

Any amendments to the vesting of the awarded shares granted will be accounted for as a modification of equity-settled awards retrospectively with the cumulative expenses adjusted at the respective balance sheet dates to reflect the estimated number of awarded shares expected to vest as at the balance sheet date.

The Group recognizes a liability when Belle International recharged the consideration for such equity instruments to the Group with a corresponding debit to capital contribution-share-based compensation reserve.

3.22 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.23 Government incentives

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to purchase of property, plant and equipment and projects are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

3.24 Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in Note 3.13 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

3.25 Customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for gifts and cash discount in the future which provides a material right to the customers and gives rise to a separate performance obligation. The transaction price is allocated to the product and the award points, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award points is recognized when the award points are redeemed. Contract liabilities are recognized until the award points are redeemed. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

3.26 Revenue and income recognition

(a) *Sale of goods*

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Revenue from the sale of goods is recognized when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Most of the Group's sale of goods are made to retail customers, for which revenue is recognized when control of the goods is transferred, being at the point the customer purchases the goods at the retail outlet; a small portion of the Group's sale of goods are made to wholesalers, for which revenue is recognized when control of the products is transferred, being when the products are delivered to the wholesalers.

Revenue from sales is recognized based on the price specified in the contract, net of discounts, returns and value added taxes. Accumulative experience is used to estimate returns at the time of sale at a portfolio level (expected value method), which was relatively insignificant based on past experience.

(b) Concessionaire fee income

The Group grants other retailers the right to operate business within the Group's commercial spaces under a concessionaire arrangement. The Group recognizes concessionaire fee income upon sale of goods by the relevant retailers. The Group receives the gross proceeds of concessionaire sales from retail customers on behalf of these retailers and subsequently transfers the proceeds to them after deducting the commission income according to the terms of the relevant concessionaire arrangements.

(c) Interest income

Interest income calculated using the effective interest method is recognized in the consolidated statements of profit or loss.

(d) Rental income

Rental income under operating leases is recognized on a straight-line basis over the lease periods.

3.27 Dividend distribution

Dividend distribution to the equity holders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, where appropriate.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The use of financial derivatives to manage certain risk exposures is governed by the Group's policies approved by the board of directors of the Company.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in RMB. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of a group entity. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to Hong Kong Dollars ("HK\$").

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against HK\$ and to mitigate the impact on exchange rate fluctuations. During the Track Record Period, no forward foreign exchange contracts had been entered into by the Group.

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the impact of foreign exchange fluctuations of HK\$ is not material as the Group had no material HK\$ denominated financial assets or financial liabilities and therefore no sensitivity analysis is presented for foreign exchange risk.

(b) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets except for the cash at banks, details of which have been disclosed in Note 24. The Group's exposure to changes in interest rates is mainly attributable to its borrowings, details of which have been disclosed in Note 28. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings were carried at floating rates and expose the Group to cash flow interest rate risk. The Group has not used any interest rate swaps to hedge its exposure against cash flow interest rate risks.

As at February 28, 2017, 2018 and 2019, and May 31, 2019, the directors are of the opinion that any reasonable changes in interest rate would not result in any significant impact on the Group's results and therefore no sensitivity analysis is presented for interest rate risk.

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, other receivables, amounts due from related companies, cash at banks, and rental deposits included in the consolidated balance sheets approximate the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while sales to corporate customers are generally on credit terms within 30 days. Normally the Group does not require collaterals from trade debtors. The existing debtors have no significant defaults in the past. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that sufficient provision for loss allowance has been made during the Track Record Period.

As at February 28, 2017, 2018 and 2019 and May 31, 2019, substantially all the bank balances as detailed in Note 24 are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

The Group makes deposits (current and non-current) for rental of certain of its retail outlets with landlords. The credit quality of deposits and other receivables, including amounts due from related companies, has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors of the Company consider that credit risk associated with deposits and other receivables is low with reference to historical information about the counterparties default rates; the credit risk of amounts due from related companies is also considered minimal due to the sound financial position and collection history from these parties.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery. The Group categorizes its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before the financial reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Given the track record of regular repayment of trade receivables, the directors are of the opinion that the risk of default by these counterparties is not significant, taking into account forward-looking information on macroeconomics factors. Therefore, expected credit loss rate of trade receivables is assessed to be insignificant. For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties, they are assessed individually for impairment allowance. Accordingly, specific loss allowance of RMB33.7 million were made as at February 28, 2019. No further loss allowance was made during the three months ended May 31, 2019.

For other financial assets measured at amortised cost, the directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at each reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 120 days past due in making a contractual payment/repayable demanded. The loss allowance for other financial assets is minimal during the year.

Impairment losses on trade receivables and other financial assets at amortized cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, repayment of borrowings and payment for purchases and operating expenses. The Group finances its acquisitions and working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the Group's financial liabilities are all due for settlement contractually within 12 months and the contractual undiscounted cash outflow of the Group's financial liabilities approximates their carrying amounts included in the consolidated balance sheets, except for the lease liabilities (see below). Interest element in connection with the Group's short-term borrowings as at February 28, 2018 and 2019 and May 31, 2019 payable in the next twelve months calculated in accordance with the relevant borrowing agreements amounted to RMB13.4 million, RMB50.9 million and RMB30.1 million respectively.

The following table analyzes the maturities at the end of the reporting periods of the Group's lease liabilities based on the contractual undiscounted cash flows:

	As at February 28			As at May 31
	2017	2018	2019	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Carrying amount of lease liabilities	1,852.8	2,484.6	3,300.9	3,210.6
Within 1 year	595.4	817.0	1,154.6	1,161.7
More than 1 year but within 2 years	568.8	836.9	1,088.2	1,052.5
More than 2 years but within 5 years	795.5	1,004.5	1,254.3	1,195.7
More than 5 years	117.4	96.1	155.6	138.5
Total contractual undiscounted cash outflow	2,077.1	2,754.5	3,652.7	3,548.4

4.2 Fair value estimation

The Group's financial instruments are measured in the balance sheet at the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the Group did not have any significant financial assets or financial liabilities in the consolidated balance sheets which is measured at fair value.

4.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or obtain new bank borrowings. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

The Group also monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as short-term bank borrowings less bank balances and cash. Total capital is calculated as "Total equity", as shown in the consolidated balance sheets plus net debt.

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the gearing ratio was as follows:

	As at February 28			As at May 31
	2017	2018	2019	2019
	RMB million	RMB million	RMB million	RMB million
Short-term borrowings (Note 28)	–	400.0	1,300.0	1,998.2
Less: Bank balances and cash (Note 24)	(674.3)	(463.6)	(650.5)	(762.7)
Net (cash)/debt	<u>(674.3)</u>	<u>(63.6)</u>	<u>649.5</u>	<u>1,235.5</u>
Total capital	<u>4,219.9</u>	<u>3,717.8</u>	<u>2,598.3</u>	<u>3,922.2</u>
Gearing ratio	<u>Net Cash</u>	<u>Net Cash</u>	<u>25.0%</u>	<u>31.5%</u>

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments used in preparing the Historical Financial Information are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment (Note 19). Other non-financial assets including property, plant and equipment, right-of-use assets, land use rights and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to profit or loss.

(b) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

(c) Useful lives, residual values and depreciation charges of property, plant and equipment/useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation/amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

(d) Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the Group has enforceable right to extend the lease term and the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Groups are required to exercise considerable judgement in relation to determine the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

(e) Current and deferred income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

6 SEGMENT INFORMATION

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

CODM has been identified as the executive directors. 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 February 28, 2017, 2018 and 2019 and May 31, 2019, substantially all of the non-current assets of the Group were located in the PRC.

7 REVENUE

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Sale of goods recognized at a point in time	21,498.4	26,320.8	32,330.6	7,840.2	8,859.8
Concessionaire fee income	191.9	229.1	233.8	61.9	77.3
	<u>21,690.3</u>	<u>26,549.9</u>	<u>32,564.4</u>	<u>7,902.1</u>	<u>8,937.1</u>

8 OTHER INCOME

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Government incentives (<i>note</i>)	41.3	77.1	198.3	23.5	49.5
Rental income	2.4	2.4	1.1	0.2	–
Others	–	–	4.5	–	5.3
Other income	<u>43.7</u>	<u>79.5</u>	<u>203.9</u>	<u>23.7</u>	<u>54.8</u>

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

9 EXPENSES BY NATURE

	Year ended February 28			Three months ended	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
				<i>(Unaudited)</i>	
Cost of inventories recognized as expenses included in cost of sales	12,311.9	15,511.6	18,957.1	4,470.9	5,057.3
Staff costs (<i>Note 13</i>)	2,633.1	3,036.2	3,167.2	754.0	833.8
Lease expenses (mainly including concessionaire fee)	2,826.0	2,966.1	3,410.1	924.5	873.1
Depreciation on property, plant and equipment (<i>Note 15</i>)	372.3	523.0	651.3	142.0	184.0
Depreciation on right-of-use assets (<i>Note 16</i>)	648.6	1,026.7	1,379.4	298.3	386.4
Amortization of intangible assets (<i>Note 19</i>)	35.6	35.6	40.3	8.9	12.6
Amortization of land use rights (<i>Note 17</i>)	8.1	8.1	–	–	–
Depreciation on investment properties (<i>Note 18</i>)	0.7	0.7	–	–	–
Write-off of property, plant and equipment (<i>Note 15</i>)	5.8	9.9	14.1	1.5	1.2
Loss on disposal of property, plant and equipment (<i>Note 31 (c)</i>)	1.1	0.7	2.5	0.4	1.7
Other tax expenses	123.1	117.5	142.2	41.7	61.0
Auditors' remuneration—audit services	5.0	5.0	5.0	1.3	1.3
Listing expenses	–	–	10.0	–	33.1
Others	822.8	1,136.3	1,718.6	402.0	462.1
	<u>19,794.1</u>	<u>24,377.4</u>	<u>29,497.8</u>	<u>7,045.5</u>	<u>7,907.6</u>
Total cost of sales, selling and distribution expenses and general and administrative expenses					

10 FINANCE COSTS, NET

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Interest income from bank deposits	4.7	7.1	14.8	2.2	2.8
Interest income from structured bank deposits	36.7	4.2	5.2	2.0	–
Foreign exchange gains	0.3	–	–	–	–
Finance income	41.7	11.3	20.0	4.2	2.8
Interest expense on short-term bank borrowings	–	(16.0)	(32.0)	(10.0)	(13.8)
Interest expense on lease liabilities (<i>Note 16(b)</i>)	(89.6)	(131.3)	(179.2)	(37.9)	(47.7)
Foreign exchange losses	–	(2.2)	(0.3)	–	–
Finance costs	(89.6)	(149.5)	(211.5)	(47.9)	(61.5)
Finance costs, net	(47.9)	(138.2)	(191.5)	(43.7)	(58.7)

11 INCOME TAX EXPENSE

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	RMB million	RMB million	RMB million	RMB million (Unaudited)	RMB million
Current income tax—PRC corporate income tax					
— Current year/period	566.5	623.4	740.5	240.2	309.5
— (Over)/under-provision in prior years	(3.7)	4.2	4.8	2.7	1.9
— Withholding tax on dividends	35.6	91.3	1.3	1.3	20.7
Deferred income taxes (<i>Note 21</i>)	(23.7)	(41.1)	98.9	(4.7)	(43.2)
	574.7	677.8	845.5	239.5	288.9

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

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%. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

During the Track Record Period, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except that certain subsidiaries are subject to preferential tax rates ranging from 15% to 20% and other preferential tax treatments.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable to the Group will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rates applicable to the consolidated entities as follows:

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	RMB million	RMB million	RMB million	RMB million	RMB million
Profit before income tax	1,892.0	2,113.8	3,045.3	836.6	1,025.6
Tax calculated at the applicable tax rate of respective companies (note a)	467.7	494.0	715.7	205.8	240.2
Expenses not deductible for tax purposes (note b)	54.5	90.8	2.9	0.7	6.6
Tax losses for which no deferred income tax assets were recognized	22.3	7.4	10.9	1.2	2.7
Utilization of previously unrecognized tax losses	(1.7)	(9.9)	(7.8)	(2.6)	(1.4)
(Over)/under-provision in prior years	(3.7)	4.2	4.8	2.7	1.9
Withholding tax	35.6	91.3	119.0	31.7	38.9
	574.7	677.8	845.5	239.5	288.9

Notes:

- (a) The weighted average applicable corporate income tax rate for the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2018 and 2019 are 24.7%, 23.4%, 23.5%, 24.6% and 23.4%, respectively. The fluctuation in the weighted average applicable corporate income tax rate arose mainly because of the change in the relative profitability of the companies within the Group.
- (b) For the years ended February 28, 2017 and 2018, expenses not deductible for tax purposes mainly included share-based compensation expense recognized during the relevant years.

12 EARNINGS PER SHARE**(a) Basic**

The basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the respective years/periods. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issuance of 1 share of the Company in connection with the Reorganization completed on November 26, 2018 deemed to have been in issue since March 1, 2016.

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Profit attributable to equity holders of the Company	1,317.3	1,436.0	2,199.8	597.1	736.7
Weighted average number of share in issue	1	1	1	1	1
Basic earnings per share	<u>1,317.3</u>	<u>1,436.0</u>	<u>2,199.8</u>	<u>597.1</u>	<u>736.7</u>

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding as at February 28, 2017, 2018 and 2019, and May 31, 2018 and 2019.

13 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATIONS)

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Wages, salaries and bonuses	2,004.8	2,225.5	2,595.8	630.0	698.6
Pensions costs—defined contribution plans <i>(note (a))</i>	340.4	369.3	443.9	99.0	115.3
Share-based compensation expense in respect of the share award scheme of Belle International <i>(note (b))</i>	193.8	347.4	—	—	—
Welfare and other expenses	94.1	94.0	127.5	25.0	19.9
	<u>2,633.1</u>	<u>3,036.2</u>	<u>3,167.2</u>	<u>754.0</u>	<u>833.8</u>

(a) The PRC defined contribution plans

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its relevant employees in the PRC. The Group's relevant employees make monthly contributions to the schemes at 8% to 11% of the relevant income (comprising wages, salaries, allowances and bonuses), while the Group contributes 10% to 35% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Share award scheme of Belle International

On May 26, 2014, a share award scheme was adopted by the board of directors of Belle International (the "Share Award Scheme") to recognize the contribution of certain members of the management of Belle International and its subsidiaries as well as to incentivize such members. The Share Award Scheme provided direct economic interest to these members in order to attract and retain them for the business growth and development of Belle International and its subsidiaries in the long run. The board of directors of Belle International may from time to time at its absolute discretion select any eligible participants for participation in the scheme (the "Selected Participants").

Pursuant to the Share Award Scheme, shares of Belle International have been granted to certain Selected Participants of the Group as awarded shares since adoption of the Share Award Scheme. The vesting conditions of the awarded shares were determined by the board of directors of Belle International primarily with reference to the period of services provided, subject to the terms and conditions set out in the Share Award Scheme and modifications that the board of directors of Belle International may make from time to time at its absolute discretion. The fair values of awarded shares granted were determined with reference to the then market prices of the shares of Belle International at the relevant dates of grant.

The awarded shares granted by Belle International over its equity instruments to Selected Participants of the Group has been treated by the Group as share-based compensation reserve under capital contribution from shareholder with the corresponding expenses being charged to the consolidated statements of profit or loss. All arrangements under the Share Award Scheme had been dealt with by Belle International subsequent to its privatization during the year ended February 28, 2018. Accordingly, total share-based compensation expense recognized by the Group for the years ended February 28, 2017 and February 28, 2018 amounted to RMB193.8 million and RMB347.4 million respectively. Cumulative contribution from Belle International was repatriated to Belle International thereafter.

(c) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

	Year ended February 28			Three months ended May 31	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000
Directors	5,175	5,123	5,634	610	625
Employees	5,928	6,442	6,211	1,178	1,172
	<u>11,103</u>	<u>11,565</u>	<u>11,845</u>	<u>1,788</u>	<u>1,797</u>

The five individuals whose remunerations were the highest in the Group include one director for each of the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2018 and 2019, respectively, whose remuneration have been disclosed in Note 14.

Details of the remunerations of the remaining highest paid non-director individuals during the Track Record Period are set out below:

	Year ended February 28			Three months ended May 31	
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000	2019 RMB'000
Basic salaries and bonuses	5,814	6,261	5,920	1,105	1,096
Pension costs—defined contribution plans	114	181	291	73	76
	<u>5,928</u>	<u>6,442</u>	<u>6,211</u>	<u>1,178</u>	<u>1,172</u>

The remunerations of the highest paid non-director individuals during the Track Record Period fell within the following bands:

	Year ended February 28			Three months ended	
	2017	2018	2019	2018	2019
				<i>(Unaudited)</i>	
Emolument band					
HK\$ nil to					
HK\$1,000,000	–	–	–	4	4
HK\$1,000,001 to					
HK\$1,500,000	1	1	–	–	–
HK\$1,500,001 to					
HK\$2,000,000	2	2	4	–	–
HK\$2,000,001 to					
HK\$2,500,000	1	1	–	–	–
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

14 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors and chief executive's emoluments

The remunerations of each director and chief executive for the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2018 and 2019 are set out below:

	Fee	Salaries	Discretionary	Employer's	Other	Total
	RMB'000	RMB'000	RMB'000	to pension	RMB'000	RMB'000
				scheme		
				RMB'000		
For the year ended						
February 28, 2017						
<u>Executive director</u>						
Yu Wu ⁽¹⁾	–	2,435	2,685	55	–	5,175
<u>Non-executive directors</u>						
Sheng Baijiao ⁽²⁾	–	–	–	–	–	–
Sheng Fang ⁽²⁾	–	–	–	–	–	–
Hu Xiaoling ⁽²⁾	–	–	–	–	–	–
Chow Kyan Mervyn ⁽²⁾	–	–	–	–	–	–
Yung Josephine Yuen						
Ching ⁽²⁾	–	–	–	–	–	–
	<u>–</u>	<u>2,435</u>	<u>2,685</u>	<u>55</u>	<u>–</u>	<u>5,175</u>

	Fee	Salaries	Discretionary	Employer's	Other	Total
	RMB'000	RMB'000	bonuses	contribution	benefit	
			RMB'000	to pension	RMB'000	RMB'000
				scheme		
				RMB'000		
For the year ended						
February 28, 2018						
<u>Executive director</u>						
Yu Wu ⁽¹⁾	-	2,410	2,647	66	-	5,123
<u>Non-executive directors</u>						
Sheng Baijiao ⁽²⁾	-	-	-	-	-	-
Sheng Fang ⁽²⁾	-	-	-	-	-	-
Hu Xiaoling ⁽²⁾	-	-	-	-	-	-
Chow Kyan Mervyn ⁽²⁾	-	-	-	-	-	-
Yung Josephine Yuen Ching ⁽²⁾	-	-	-	-	-	-
	-	2,410	2,647	66	-	5,123

For the year ended						
February 28, 2019						
<u>Executive director</u>						
Yu Wu ⁽¹⁾	-	2,425	3,137	72	-	5,634
<u>Non-executive directors</u>						
Sheng Baijiao ⁽²⁾	-	-	-	-	-	-
Sheng Fang ⁽²⁾	-	-	-	-	-	-
Hu Xiaoling ⁽²⁾	-	-	-	-	-	-
Chow Kyan Mervyn ⁽²⁾	-	-	-	-	-	-
Yung Josephine Yuen Ching ⁽²⁾	-	-	-	-	-	-
	-	2,425	3,137	72	-	5,634

	Fee	Salaries	Discretionary	Employer's	Other	Total
	RMB'000	RMB'000	bonuses	contribution	benefit	
			RMB'000	to pension	RMB'000	RMB'000
				scheme		
				RMB'000		
For the three months						
ended May 31, 2018						
(Unaudited)						
<u>Executive director</u>						
Yu Wu ⁽¹⁾	-	593	-	17	-	610
<u>Non-executive directors</u>						
Sheng Baijiao ⁽²⁾	-	-	-	-	-	-
Sheng Fang ⁽²⁾	-	-	-	-	-	-
Hu Xiaoling ⁽²⁾	-	-	-	-	-	-
Chow Kyan Mervyn ⁽²⁾	-	-	-	-	-	-
Yung Josephine Yuen Ching ⁽²⁾	-	-	-	-	-	-
	-	593	-	17	-	610

	Fee	Salaries	Discretionary	Employer's	Other	Total
	RMB'000	RMB'000	bonuses	contribution	benefit	
			RMB'000	to pension	RMB'000	RMB'000
				scheme		
				RMB'000		
For the three months ended May 31, 2019						
<u>Executive director</u>						
Yu Wu ⁽¹⁾	-	608	-	17	-	625
<u>Non-executive directors</u>						
Sheng Baijiao ⁽²⁾	-	-	-	-	-	-
Sheng Fang ⁽²⁾	-	-	-	-	-	-
Hu Xiaoling ⁽²⁾	-	-	-	-	-	-
Chow Kyan Mervyn ⁽²⁾	-	-	-	-	-	-
Yung Josephine Yuen Ching ⁽²⁾	-	-	-	-	-	-
	-	608	-	17	-	625

Notes:

(1) Mr. Yu Wu is the Chief Executive Officer of the Company. Mr. Yu Wu was appointed as director on September 5, 2018 and designated as executive director effective from June 20, 2019.

(2) Appointed as non-executive director effective from June 20, 2019.

During the Track Record Period, none of the directors waived or agreed to waive any emoluments.

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, no consideration was provided to or receivable by any third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors subsisted at the end of each of the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2018 and 2019 or at any time during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2018 and 2019 or at any time during the Track Record Period.

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold	Furniture	Motor	Total
	<i>RMB million</i>	<i>improvements</i>	<i>and other</i>	<i>vehicles</i>	<i>RMB million</i>
		<i>RMB million</i>	<i>equipment</i>		
			<i>RMB million</i>	<i>RMB million</i>	
Cost					
As at 1 March 2016	105.2	1,154.5	177.8	42.3	1,479.8
Additions	–	529.1	50.8	7.0	586.9
Disposals	–	(1.9)	(18.0)	(1.7)	(21.6)
Written-off	–	(173.0)	–	–	(173.0)
As at February 28, 2017 and March 1, 2017	105.2	1,508.7	210.6	47.6	1,872.1
Additions	–	723.3	45.2	2.5	771.0
Disposals	–	(3.5)	(19.2)	(1.9)	(24.6)
Written-off	–	(213.4)	(7.0)	(2.3)	(222.7)
Transfer to non-current assets held-for-sale (<i>Note 25</i>)	(105.2)	(3.0)	(0.6)	–	(108.8)
As at February 28, 2018 and March 1, 2018	–	2,012.1	229.0	45.9	2,287.0
Additions	–	767.8	35.1	9.9	812.8
Disposals	–	(3.4)	(19.1)	(4.0)	(26.5)
Written-off	–	(334.5)	(20.2)	(3.0)	(357.7)
As at February 28, 2019	–	2,442.0	224.8	48.8	2,715.6
Cost					
(Unaudited)					
As at March 1, 2018	–	2,012.1	229.0	45.9	2,287.0
Additions	–	97.3	6.5	2.0	105.8
Disposals	–	(3.4)	(11.5)	(0.4)	(15.3)
Written-off	–	(35.1)	(5.0)	(1.2)	(41.3)
As at May 31, 2018	–	2,070.9	219.0	46.3	2,336.2
As at March 1, 2019	–	2,442.0	224.8	48.8	2,715.6
Additions	–	97.5	7.7	4.3	109.5
Disposals	–	(5.3)	(7.7)	(1.6)	(14.6)
Written-off	–	(110.1)	(6.6)	(0.5)	(117.2)
As at May 31, 2019	–	2,424.1	218.2	51.0	2,693.3

	Buildings	Leasehold improvements	Furniture and fixtures and other equipment	Motor vehicles	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Accumulated depreciation					
As at March 1, 2016	37.5	713.7	93.2	26.2	870.6
Disposals	–	–	(14.1)	(1.4)	(15.5)
Written-off	–	(167.2)	–	–	(167.2)
Depreciation charges	4.9	336.1	25.9	5.4	372.3
As at February 28, 2017 and March 1, 2017	42.4	882.6	105.0	30.2	1,060.2
Disposals	–	(2.5)	(10.0)	(1.5)	(14.0)
Written-off	–	(204.6)	(6.4)	(1.8)	(212.8)
Depreciation charges	5.0	483.6	33.1	1.3	523.0
Transfer to non-current assets held-for-sale (<i>Note 25</i>)	(47.4)	(2.2)	(0.2)	–	(49.8)
As at February 28, 2018 and March 1, 2018	–	1,156.9	121.5	28.2	1,306.6
Disposals	–	(0.9)	(11.3)	(2.1)	(14.3)
Written-off	–	(324.9)	(16.1)	(2.6)	(343.6)
Depreciation charges	–	611.9	33.5	5.9	651.3
As at February 28, 2019	–	1,443.0	127.6	29.4	1,600.0
(Unaudited)					
As at March 1, 2018	–	1,156.9	121.5	28.2	1,306.6
Disposals	–	(3.4)	(5.6)	(0.2)	(9.2)
Written-off	–	(34.9)	(3.8)	(1.1)	(39.8)
Depreciation charges	–	133.1	7.1	1.8	142.0
As at May 31, 2018	–	1,251.7	119.2	28.7	1,399.6
As at March 1, 2019	–	1,443.0	127.6	29.4	1,600.0
Disposals	–	(2.3)	(2.8)	(0.3)	(5.4)
Written-off	–	(109.9)	(5.6)	(0.5)	(116.0)
Depreciation charges	–	174.3	7.8	1.9	184.0
As at May 31, 2019	–	1,505.1	127.0	30.5	1,662.6

	Buildings	Leasehold improvements	Furniture and fixtures and other equipment	Motor vehicles	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Net book value					
As at February 28, 2017	62.8	626.1	105.6	17.4	811.9
As at February 28, 2018	–	855.2	107.5	17.7	980.4
As at February 28, 2019	–	999.0	97.2	19.4	1,115.6
As at May 31, 2018 (Unaudited)	–	819.2	99.8	17.6	936.6
As at May 31, 2019	–	919.0	91.2	20.5	1,030.7

During the Track Record Period, depreciation of property, plant and equipment has been charged to the consolidated statements of profit or loss as follows:

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Selling and distribution expenses	330.9	475.8	614.7	132.0	174.0
General and administrative expenses	41.4	47.2	36.6	10.0	10.0
	<u>372.3</u>	<u>523.0</u>	<u>651.3</u>	<u>142.0</u>	<u>184.0</u>

16 LEASE

(a) Right-of-use assets

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
As at March 1	1,064.6	1,989.5	2,659.0	2,659.0	3,451.8
Inception of lease contracts	1,573.5	1,696.2	2,172.2	434.3	295.2
Depreciation	<u>(648.6)</u>	<u>(1,026.7)</u>	<u>(1,379.4)</u>	<u>(298.3)</u>	<u>(386.4)</u>
As at February 28/May 31	<u>1,989.5</u>	<u>2,659.0</u>	<u>3,451.8</u>	<u>2,795.0</u>	<u>3,360.6</u>

The Group obtains rights to control the use of various retail outlets and other properties for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 15 years.

The Group also obtained land use rights through lease contracts with local government authorities with lease periods ranging from 40 to 54 years. The Group presents the land use rights separately from the right-of-use assets. For details of the land use rights, please refer to Note 17.

During the Track Record Period, depreciation of right-of-use assets has been charged to the consolidated statements of profit or loss as follows:

	Year ended February 28			Three months ended	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
				<i>(Unaudited)</i>	
Selling and distribution expenses	636.5	1,004.5	1,353.5	292.0	373.2
General and administrative expenses	12.1	22.2	25.9	6.3	13.2
	<u>648.6</u>	<u>1,026.7</u>	<u>1,379.4</u>	<u>298.3</u>	<u>386.4</u>

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The Group's lease expenses (see Note 9) are primarily for variable lease payments; expenses relating to short-term leases are relatively insignificant (also see note (c) below). The Group expects this pattern to remain stable in future years. The variable lease payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next few years, variable lease payments are expected to continue to present a similar proportion of store sales in future years.

(b) Lease liabilities

	Year ended February 28			Three months ended	
	2017	2018	2019	2018	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
				<i>(Unaudited)</i>	
As at March 1	948.9	1,852.8	2,484.6	2,484.6	3,300.9
Inception of lease contracts	1,573.5	1,696.2	2,172.2	434.3	295.2
Interest expense on lease liabilities (<i>Note 10</i>)	89.6	131.3	179.2	37.9	47.7
Payment for lease liabilities (including interest)	<u>(759.2)</u>	<u>(1,195.7)</u>	<u>(1,535.1)</u>	<u>(323.5)</u>	<u>(433.2)</u>
As at February 28/May 31	<u>1,852.8</u>	<u>2,484.6</u>	<u>3,300.9</u>	<u>2,633.3</u>	<u>3,210.6</u>

	As at February 28			As at
	2017	2018	2019	May 31
	RMB million	RMB million	RMB million	2019
	RMB million			
Amount due for settlement within 12 months (shown under current liabilities)	504.8	698.0	999.8	1,011.0
Amount due for settlement after 12 months	1,348.0	1,786.6	2,301.1	2,199.6
	<u>1,852.8</u>	<u>2,484.6</u>	<u>3,300.9</u>	<u>3,210.6</u>

Maturity analysis of lease liabilities is as follows:

	As at February 28			As at
	2017	2018	2019	May 31
	RMB million	RMB million	RMB million	2019
	RMB million			
Not later than 1 year	504.8	698.0	999.8	1,011.0
Later than 1 year but not later than 5 years	1,236.9	1,695.6	2,153.4	2,067.5
Later than 5 years	111.1	91.0	147.7	132.1
As at February 28/May 31	<u>1,852.8</u>	<u>2,484.6</u>	<u>3,300.9</u>	<u>3,210.6</u>

(c) **Short-term leases and not yet commenced lease**

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the total future lease payments for short-term leases amounted to RMB98.9 million, RMB116.7 million and RMB119.8 million and RMB99.0 million, respectively. As at February 28, 2017, 2018 and 2019 and May 31, 2019, leases committed but not yet commenced are relatively insignificant.

17 LAND USE RIGHTS

	Year ended February 28			Three months ended	
	2017	2018	2019	2018	2019
	RMB million	RMB million	RMB million	RMB million	RMB million
	(Unaudited)				
Cost					
As at March 1	272.0	272.0	–	–	–
Transfer to non-current assets held-for-sale (Note 25)	–	(272.0)	–	–	–
As at February 28/May 31	<u>272.0</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Accumulated amortization					
As at March 1	67.6	75.7	–	–	–
Amortization for the year/period	8.1	8.1	–	–	–
Transfer to non-current assets held-for-sale (Note 25)	–	(83.8)	–	–	–
As at February 28/May 31	<u>75.7</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net book value as at February 28/May 31	<u>196.3</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

18 INVESTMENT PROPERTIES

	Year ended February 28			Three months ended May 31	
	2017 RMB million	2018 RMB million	2019 RMB million	2018 RMB million (Unaudited)	2019 RMB million
Cost					
As at March 1	14.2	14.2	–	–	–
Transfer to non-current assets held-for-sale (Note 25)	–	(14.2)	–	–	–
As at February 28/May 31	14.2	–	–	–	–
Accumulated depreciation					
As at March 1	6.2	6.9	–	–	–
Charge for the year/period	0.7	0.7	–	–	–
Transfer to non-current assets held-for-sale (Note 25)	–	(7.6)	–	–	–
As at February 28/May 31	6.9	–	–	–	–
Net book value as at February 28/May 31	7.3	–	–	–	–

The valuation of the investment properties as at February 28, 2017 (including the related land use rights with net book value of RMB49.0 million) was RMB60.7 million, which was determined by the directors of the Company on an open market value basis using the sale comparison approach.

19 INTANGIBLE ASSETS

	Goodwill RMB million	Distribution and licenses contracts RMB million	E-Sports licenses and contracts RMB million	Others RMB million	Total RMB million
Cost					
As at March 1, 2016, February 28, 2017 and 2018 and March 1, 2018	1,002.4	249.0	–	–	1,251.4
Additions	–	–	108.2	0.4	108.6
As at February 28, 2019	1,002.4	249.0	108.2	0.4	1,360.0
(Unaudited)					
As at March 1, 2018 and May 31, 2018	1,002.4	249.0	–	–	1,251.4
As at March 1, 2019	1,002.4	249.0	108.2	0.4	1,360.0
Additions	–	–	–	0.6	0.6
As at May 31, 2019	1,002.4	249.0	108.2	1.0	1,360.6

	Goodwill <i>RMB million</i>	Distribution and licenses contracts <i>RMB million</i>	E-Sports licenses and contracts <i>RMB million</i>	Others <i>RMB million</i>	Total <i>RMB million</i>
Accumulated amortization					
As at March 1, 2016	–	103.7	–	–	103.7
Amortization for the year	–	35.6	–	–	35.6
As at February 28, 2017 and March 1, 2017	–	139.3	–	–	139.3
Amortization for the year	–	35.6	–	–	35.6
As at February 28, 2018 and March 1, 2018	–	174.9	–	–	174.9
Amortization for the year	–	35.6	4.7	–	40.3
As at February 28, 2019	–	210.5	4.7	–	215.2
(Unaudited)					
As at March 1, 2018	–	174.9	–	–	174.9
Amortization for the period	–	8.9	–	–	8.9
As at May 31, 2018	–	183.8	–	–	183.8
As at March 1, 2019	–	210.5	4.7	–	215.2
Amortization for the period	–	8.9	3.7	–	12.6
As at May 31, 2019	–	219.4	8.4	–	227.8
Net book value					
As at February 28, 2017	1,002.4	109.7	–	–	1,112.1
As at February 28, 2018	1,002.4	74.1	–	–	1,076.5
As at February 28, 2019	1,002.4	38.5	103.5	0.4	1,144.8
As at May 31, 2018 (Unaudited)	1,002.4	65.2	–	–	1,067.6
As at May 31, 2019	1,002.4	29.6	99.8	1.0	1,132.8

During the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2018 and 2019, amortization expense of RMB35.6 million, RMB35.6 million and RMB40.3 million and RMB8.9 million and RMB12.6 million respectively has been included in general and administrative expenses.

Impairment review on goodwill of the Group has been conducted by management as at February 28, 2017, 2018 and 2019 according to IAS 36 “Impairment of assets”. For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow

projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of not more than 2%. The growth rates used do not exceed the industry growth forecast for the market in which the Group operates.

Key assumptions used for value-in-use calculations for impairment review purpose as at February 28, 2017, 2018 and 2019 are as follows:

	As at February 28		
	2017	2018	2019
Gross profit margin	42%	43%	42%
5 years annual growth rate	6%	6%	5%
Pre-tax discount rate	16.9%	16.9%	16.7%

The discount rates used are pre-tax and reflect market assessments of the time value and the specific risks relating to the industry. The budgeted gross profit margins are determined by management based on past performance and its expectation for market development.

Any change in the assumptions selected by management could materially affect the value-in-use calculations used in the impairment testing and therefore may result in an impairment charge to profit or loss.

As at February 28, 2017, 2018 and 2019, the impairment assessments result in significant headroom of not less than 200% over the carrying amount of goodwill and management, based on the sensitivity analysis performed, is not aware of any reasonably possible changes in a key assumption used that would cause a cash generating unit's carrying amount to exceed its recoverable amount. As at May 31, 2019, the directors of the Company did not identify any impairment indicator of the Group's goodwill.

20 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at February 28			As at
	2017	2018	2019	May 31
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Non-current				
Rental deposits	128.7	163.2	192.9	222.1
Prepayments for capital expenditures	22.9	15.1	22.0	23.0
	<u>151.6</u>	<u>178.3</u>	<u>214.9</u>	<u>245.1</u>
Current				
Rental deposits	291.6	253.1	288.3	276.3
Value-added tax recoverable	148.0	66.8	132.4	364.7
Prepayments for purchase	92.5	126.9	249.1	562.5
Other receivables and prepayments	83.5	143.7	132.1	139.6
	<u>615.6</u>	<u>590.5</u>	<u>801.9</u>	<u>1,343.1</u>

The carrying amounts of deposits and other receivables approximate their fair values. The recoverability was assessed with reference to the credit status of the recipients and, as there is no significant increase in credit risk since initial recognition, the 12-month expected credit loss is considered minimal.

21 DEFERRED INCOME TAXES

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As at February 28			As at
	2017	2018	2019	May 31
	RMB million	RMB million	RMB million	2019
				RMB million
Net deferred income tax assets recognized	86.3	118.5	128.4	187.6
Net deferred income tax liabilities recognized	(27.4)	(18.5)	(127.3)	(143.3)
	<u>58.9</u>	<u>100.0</u>	<u>1.1</u>	<u>44.3</u>

The movements in the deferred income tax assets are as follows:

	Inventories	Tax losses	Others	Total
	RMB million	RMB million	RMB million	RMB million
As at March 1, 2016	35.3	19.5	16.7	71.5
Credited/(charged) to profit or loss (Note 11)	<u>23.3</u>	<u>(14.5)</u>	<u>6.0</u>	<u>14.8</u>
As at February 28, 2017 and March 1, 2017	58.6	5.0	22.7	86.3
(Charged)/credited to profit or loss (Note 11)	<u>(0.5)</u>	<u>12.8</u>	<u>19.9</u>	<u>32.2</u>
As at February 28, 2018 and March 1, 2018	58.1	17.8	42.6	118.5
(Charged)/credited to profit or loss (Note 11)	<u>(20.7)</u>	<u>13.2</u>	<u>17.4</u>	<u>9.9</u>
As at February 28, 2019	<u>37.4</u>	<u>31.0</u>	<u>60.0</u>	<u>128.4</u>
(Unaudited)				
As at March 1, 2018	58.1	17.8	42.6	118.5
Credited to profit or loss (Note 11)	<u>12.7</u>	<u>19.7</u>	<u>0.5</u>	<u>32.9</u>
As at May 31, 2018	<u>70.8</u>	<u>37.5</u>	<u>43.1</u>	<u>151.4</u>
As at March 1, 2019	37.4	31.0	60.0	128.4
Credited/(charged) to profit or loss (Note 11)	<u>60.4</u>	<u>(3.8)</u>	<u>2.6</u>	<u>59.2</u>
As at May 31, 2019	<u>97.8</u>	<u>27.2</u>	<u>62.6</u>	<u>187.6</u>

The movements in the deferred income tax liabilities are as follows:

	Distribution and license contracts	Undistributed profits	Total
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
As at March 1, 2016	36.3	–	36.3
Credited to profit or loss (<i>Note 11</i>)	(8.9)	–	(8.9)
As at February 28, 2017 and March 1, 2017	27.4	–	27.4
Credited to profit or loss (<i>Note 11</i>)	(8.9)	–	(8.9)
As at February 28, 2018 and March 1, 2018	18.5	–	18.5
(Credited)/charged to profit or loss (<i>Note 11</i>)	(8.9)	117.7	108.8
As at February 28, 2019	9.6	117.7	127.3
(Unaudited)			
As at March 1, 2018	18.5	–	18.5
(Credited)/charged to profit or loss (<i>Note 11</i>)	(2.2)	30.4	28.2
As at May 31, 2018	16.3	30.4	46.7
As at March 1, 2019	9.6	117.7	127.3
(Credited)/charged to profit or loss (<i>Note 11</i>)	(2.2)	18.2	16.0
As at May 31, 2019	7.4	135.9	143.3

As at February 28, 2017, 2018 and 2019 and May 31, 2019, except that the deferred income tax assets on unrealized profit and impairment losses on closing inventories were expected to be recoverable within 12 months, other deferred income tax assets and liabilities were mainly expected to be recovered or settled after more than 12 months.

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at February 28, 2017, 2018 and 2019 and May 31, 2019, the Group had unrecognized tax losses to be carried forward against future taxable income amounted to RMB84.1 million, RMB68.2 million and RMB67.7 million and RMB71.5 million respectively. All of these unrecognized tax losses will expire within 5 years.

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the potential deferred income tax assets in respect of the above unrecognized tax losses amounted to RMB21.0 million, RMB17.1 million, and RMB14.5 million and RMB14.9 million respectively.

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on remittance of dividends in respect of profits earned by the Company's PRC subsidiaries. Deferred income tax liabilities of approximately RMB271.8 million, RMB250.8 million and RMB255.7 million and RMB254.6 million as at February 28, 2017, 2018 and 2019 and May 31, 2019 respectively have not been provided for at the applicable tax rate of 5% in this Historical Financial Information in respect of temporary differences attributable to undistributed profits of the Company's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

22 INVENTORIES

	As at February 28			As at May 31
	2017	2018	2019	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Merchandise for sale and consumables	4,186.2	4,648.9	6,170.8	6,559.0
Less: provision for impairment losses	(32.1)	(32.1)	(32.1)	(32.1)
	<u>4,154.1</u>	<u>4,616.8</u>	<u>6,138.7</u>	<u>6,526.9</u>

23 TRADE RECEIVABLES

	As at February 28			As at May 31
	2017	2018	2019	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Trade receivables	1,858.9	2,633.3	2,551.5	2,447.3
Loss allowance	–	–	(33.7)	(33.7)
	<u>1,858.9</u>	<u>2,633.3</u>	<u>2,517.8</u>	<u>2,413.6</u>

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at February 28, 2017, 2018 and 2019 and May 31, 2019, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at February 28			As at May 31
	2017	2018	2019	2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
0 to 30 days	1,791.0	2,518.6	2,301.8	2,248.7
31 to 60 days	39.2	43.9	101.1	63.8
61 to 90 days	19.2	28.7	18.8	25.5
Over 90 days	9.5	42.1	129.8	109.3
	<u>1,858.9</u>	<u>2,633.3</u>	<u>2,551.5</u>	<u>2,447.3</u>
Loss allowance	–	–	(33.7)	(33.7)
	<u>1,858.9</u>	<u>2,633.3</u>	<u>2,517.8</u>	<u>2,413.6</u>

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

Movements on the Group's loss allowance for trade receivables are as follows:

	Year ended February 28			Three months ended May 31	
	2017 RMB million	2018 RMB million	2019 RMB million	2018 RMB million (Unaudited)	2019 RMB million
At the beginning of the year/period	-	-	-	-	33.7
Increase in loss allowance	-	-	33.7	-	-
At the end of the year/period	-	-	33.7	-	33.7

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk are detailed in Note 4.1(c).

24 BANK BALANCES AND CASH

	As at February 28			As at May 31
	2017 RMB million	2018 RMB million	2019 RMB million	2019 RMB million
Bank balances and cash	674.3	463.6	650.5	762.7
Denominated in the following currencies:				
RMB	673.0	455.3	647.4	761.6
HK\$	0.7	5.7	2.7	1.1
US\$	0.6	2.6	0.4	-
	674.3	463.6	650.5	762.7

25 NON-CURRENT ASSETS HELD FOR SALE

As part of the Reorganization, certain property, plant and equipment, land use rights and investment properties being held by the Group have been transferred to entities controlled by Belle International other than the Group. Accordingly, these assets are presented as held for sale as at February 28, 2018.

During the year ended February 28, 2019, the excess of consideration over the carrying amount of these assets transferred amounting to RMB50.4 million, is recognized as a contribution from Belle International.

26 TRADE PAYABLES

The credit periods granted by suppliers generally range from 0 to 60 days. The aging analysis of trade payables, based on invoice date, is as follows:

	As at February 28			As at May 31
	2017 RMB million	2018 RMB million	2019 RMB million	2019 RMB million
0 to 30 days	332.1	381.5	638.5	408.2
31 to 60 days	4.2	2.2	3.2	1.6
Over 60 days	0.2	7.0	0.3	1.2
	336.5	390.7	642.0	411.0

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

27 OTHER PAYABLES, ACCRUALS AND OTHER LIABILITIES

	As at February 28			As at May 31
	2017	2018	2019	2019
	RMB million	RMB million	RMB million	RMB million
Accrued wages, salaries, bonuses and staff welfare	320.4	385.5	320.3	241.5
Value-added tax, business tax and other taxes payables	199.2	238.1	253.0	129.0
Customers' deposits	95.4	115.1	143.0	122.6
Other payables and accruals	118.1	127.2	170.8	203.4
Contract liabilities (<i>note</i>)	383.9	490.6	547.8	477.4
	<u>1,117.0</u>	<u>1,356.5</u>	<u>1,434.9</u>	<u>1,173.9</u>

Note: Substantially all the contract liabilities at the beginning of the years ended February 28, 2017, 2018 and 2019 and three months ended May 31, 2019 have been recognized as revenue during the respective financial reporting period as the Group will normally deliver the goods to satisfy the remaining performance obligations of the relevant contract liabilities within one year or less.

28 SHORT-TERM BORROWINGS

	As at February 28			As at May 31
	2017	2018	2019	2019
	RMB million	RMB million	RMB million	RMB million
Bank loans—unsecured	—	—	1,100.0	1,100.0
Bank overdrafts—unsecured	—	400.0	200.0	898.2
	<u>—</u>	<u>400.0</u>	<u>1,300.0</u>	<u>1,998.2</u>

As at February 28, 2018 and 2019 and May 31, 2019, the Group's short-term bank borrowings are unsecured and carry interest at floating rates with weighted average effective interest rate of 4.5%, 4.5% and 4.5% per annum respectively. The carrying amount of the Group's short-term bank borrowings are denominated in RMB and approximate their fair values.

29 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares US\$
Authorized:		
As at September 5, 2018 (date of incorporation), February 28, 2019 and May 31, 2019	<u>5,000,000</u>	<u>500,000</u>
Issued and fully paid:		
Issuance at September 5, 2018 (date of incorporation)	<u>1</u>	<u>0.1</u>
As at February 28, 2019 and May 31, 2019	<u>1</u>	<u>0.1</u>

Pursuant to the written resolutions of the Company's sole shareholder passed on September 6, 2019: (a) the authorized share capital of the Company was increased from US\$500,000 divided into 5,000,000 ordinary share of a par value of US\$0.1 each to the aggregate of (i) US\$500,000 divided into 5,000,000 ordinary shares of a par value of US\$0.1 each and (ii) HK\$20,000 divided into 20,000,000,000 Shares of a par value of HK\$0.000001 each by the creation of 20,000,000,000 Shares of a par value of HK\$0.000001 each; (b) allotted and issued 1 ordinary share at par value of HK\$0.000001 to the existing sole shareholder of the Company and credited as fully paid; (c) repurchased 1 issued ordinary share of US\$0.1 at par and, subject to and immediately after the repurchase of 1 ordinary share of US\$0.1 of the Company, reduced the authorized share capital to HK\$20,000 divided into 20,000,000,000 ordinary

shares of HK\$0.000001 each by cancellation of the 5,000,000 authorized but unissued ordinary shares of US\$0.1 each; and (d) conditional on share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of the offer shares by the Company pursuant to the proposed global offering, the Company will capitalize an amount of HK\$5,271.038023, standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 5,271,038,023 ordinary shares for allotment and issue to the sole shareholder of the Company immediately before the global offering ("Capitalization Issue") becomes unconditional.

30 RESERVES

(a) Other reserves of the Group

	Share premium RMB million (note (i))	Capital reserve RMB million (note (ii))	Capital contribution- share-based compensation reserve RMB million	Exchange reserve RMB million	Statutory reserve RMB million (note (iii))	Total RMB million
At March 1, 2016	-	841.0	138.0	-	241.5	1,220.5
Appropriation to statutory reserves	-	-	-	-	167.2	167.2
Share-based compensation expense under share award scheme of Belle International (Note 13)	-	-	193.8	-	-	193.8
At February 28, 2017 and March 1, 2017	-	841.0	331.8	-	408.7	1,581.5
Appropriation to statutory reserves	-	-	-	-	116.0	116.0
Share-based compensation expense under share award scheme of Belle International (Note 13)	-	-	347.4	-	-	347.4
Repatriation of share-based compensation expense to Belle International (Note 13)	-	-	(679.2)	-	-	(679.2)
At February 28, 2018 and March 1, 2018	-	841.0	-	-	524.7	1,365.7
Exchange difference	-	-	-	1.5	-	1.5
Appropriation to statutory reserves	-	-	-	-	50.4	50.4
Issue of share to give effect the Reorganization	19,320.0	(19,330.0)	-	-	-	(10.0)
Other contributions from Belle International (Note 25)	-	50.4	-	-	-	50.4
At February 28, 2019	19,320.0	(18,438.6)	-	1.5	575.1	1,458.0
(Unaudited)						
At March 1, 2018	-	841.0	-	-	524.7	1,365.7
Exchange difference	-	-	-	(0.1)	-	(0.1)
Appropriation to statutory reserves	-	-	-	-	34.2	34.2
At May 31, 2018	-	841.0	-	(0.1)	558.9	1,399.8
At March 1, 2019	19,320.0	(18,438.6)	-	1.5	575.1	1,458.0
Exchange difference	-	-	-	1.2	-	1.2
Appropriation to statutory reserves	-	-	-	-	25.8	25.8
At May 31, 2019	19,320.0	(18,438.6)	-	2.7	600.9	1,485.0

(i) Share premium

The share premium represents the difference between the par value of the share issued and the deemed consideration for the Reorganization.

(ii) Capital reserve

Capital reserve comprises of a merger reserve arising from the Reorganization, representing the excess of the fair value of the Company's share issued for Reorganization over the combined capital of the companies now comprising the Group after elimination of inter-company investments, if any, immediately before the Reorganization. Capital reserve also included other contributions from Belle International as detailed in Note 25.

(iii) Statutory reserve

Statutory reserves are non-distributable and the transfers of these funds are determined by the Board of Directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

(b) Reserves of the Company

	Share premium <i>RMB million</i> <i>(Note 30 (a)(i))</i>	Retained earnings/ (accumulated losses) <i>RMB million</i>	Total <i>RMB million</i>
At September 5, 2018 (date of incorporation)	–	–	–
Profit and total comprehensive profit for the period	–	3,500.0	3,500.0
Dividend (Note 34)	–	(3,500.0)	(3,500.0)
Issue of shares to give effect the Reorganization	19,320.0	–	19,320.0
	<u>19,320.0</u>	<u>–</u>	<u>19,320.0</u>
At February 28, 2019 and March 1, 2019	19,320.0	–	19,320.0
Loss and total comprehensive loss for the period	–	(33.3)	(33.3)
	<u>19,320.0</u>	<u>(33.3)</u>	<u>19,286.7</u>
At May 31, 2019	<u>19,320.0</u>	<u>(33.3)</u>	<u>19,286.7</u>

31 NOTES TO CONSOLIDATED STATEMENTS OF CASH FLOWS**(a) Reconciliation of profit before income tax to net cash generated from operations:**

	Note	Year ended February 28			Three months ended May 31	
		2017 <i>RMB million</i>	2018 <i>RMB million</i>	2019 <i>RMB million</i>	2018 <i>RMB million</i>	2019 <i>RMB million</i>
Profit before income tax		1,892.0	2,113.8	3,045.3	836.6	1,025.6
Adjustments for:						
Depreciation on property, plant and equipment	15	372.3	523.0	651.3	142.0	184.0
Depreciation on investment property	18	0.7	0.7	–	–	–
Depreciation on right-of-use assets	16(a)	648.6	1,026.7	1,379.4	298.3	386.4
Amortization of intangible assets	19	35.6	35.6	40.3	8.9	12.6
Amortization of land use rights	17	8.1	8.1	–	–	–

	Note	Year ended February 28			Three months ended May 31	
		2017	2018	2019	2018	2019
		RMB million	RMB million	RMB million	RMB million	RMB million
						(Unaudited)
Loss on disposal of property, plant and equipment	31(c)	1.1	0.7	2.5	0.4	1.7
Write-off of property, plant and equipment	15	5.8	9.9	14.1	1.5	1.2
Share-based compensation expense in respect of the share award scheme	13	193.8	347.4	–	–	–
Impairment of trade receivables	23	–	–	33.7	–	–
Interest income	10	(41.4)	(11.3)	(20.0)	(4.2)	(2.8)
Interest expense	10	89.6	147.3	211.2	47.9	61.5
Others		–	–	1.5	(0.1)	1.2
Operating cash flows before changes in working capital		3,206.2	4,201.9	5,359.3	1,331.3	1,671.4
Changes in working capital:						
— Increase in long-term deposits, prepayments and other assets		(50.0)	(34.5)	(29.7)	(12.1)	(29.2)
— Increase in inventories		(1,320.4)	(462.7)	(1,406.2)	(671.5)	(388.2)
— Decrease/(increase) in trade receivables		215.6	(774.4)	81.8	241.0	104.2
— (Increase)/decrease in other receivables, deposits and prepayments		(130.7)	25.1	(211.4)	(116.0)	(541.2)
— Increase/(decrease) in trade payables		102.8	54.2	229.9	179.3	(231.0)
— Increase/(decrease) in other payables, accruals and other liabilities		420.1	239.5	68.0	(385.4)	(250.6)
Net cash generated from operations		<u>2,443.6</u>	<u>3,249.1</u>	<u>4,091.7</u>	<u>566.6</u>	<u>335.4</u>

- (b) In the consolidated statements of cash flows, payments and deposits for purchase of property, plant and equipment and intangible assets are analyzed as follows:

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	RMB million	RMB million	RMB million	RMB million	RMB million
					(Unaudited)
Additions to:					
— Property, plant and equipment	586.9	771.0	812.8	105.8	109.5
— Intangible assets	–	–	108.6	–	0.6
Increase/(decrease) in prepayments	22.8	(7.8)	6.9	5.7	1.0
(Increase)/decrease in other payables	–	–	(10.4)	–	10.4
	<u>609.7</u>	<u>763.2</u>	<u>917.9</u>	<u>111.5</u>	<u>121.5</u>

- (c) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended February 28			Three months ended May 31	
	2017 <i>RMB million</i>	2018 <i>RMB million</i>	2019 <i>RMB million</i>	2018 <i>RMB million</i> <i>(Unaudited)</i>	2019 <i>RMB million</i>
Net book value	6.1	10.6	12.2	6.1	9.2
Loss on disposal of property, plant and equipment	<u>(1.1)</u>	<u>(0.7)</u>	<u>(2.5)</u>	<u>(0.4)</u>	<u>(1.7)</u>
Proceeds from disposal	<u>5.0</u>	<u>9.9</u>	<u>9.7</u>	<u>5.7</u>	<u>7.5</u>

- (d) Reconciliation of liabilities arising from financing activities:

	Bank loans <i>RMB million</i>	Lease liabilities <i>RMB million</i>
As at March 1, 2016	229.0	948.9
Non-cash movements	–	1,663.1
Cash flows	<u>(229.0)</u>	<u>(759.2)</u>
As at February 28, 2017 and March 1, 2017	–	1,852.8
Non-cash movements	–	1,827.5
Cash flows	<u>–</u>	<u>(1,195.7)</u>
As at February 28, 2018 and March 1, 2018	–	2,484.6
Non-cash movements	–	2,351.4
Cash flows	<u>1,100.0</u>	<u>(1,535.1)</u>
As at February 28, 2019	<u>1,100.0</u>	<u>3,300.9</u>
(Unaudited)		
As at March 1, 2018	–	2,484.6
Non-cash movements	–	472.2
Cash flows	<u>–</u>	<u>(323.5)</u>
As at May 31, 2018	<u>–</u>	<u>2,633.3</u>
As at March 1, 2019	1,100.0	3,300.9
Non-cash movements	–	342.9
Cash flows	<u>–</u>	<u>(433.2)</u>
As at May 31, 2019	<u>1,100.0</u>	<u>3,210.6</u>

(e) Acquisition of a business

In August 2018, the Group acquired a chain of retail outlets from an independent third party for a net cash consideration of RMB115.7 million. The assets acquired mainly comprised the fair value of inventories of RMB109.7 million whereas other tangible and intangible assets of the business acquired totalling RMB6.0 million are relatively insignificant to the Group. As at February 28 and May 31, 2019, consideration payable amounting to RMB21.4 million.

The revenue and the results contributed by the acquired business to the Group for the period since acquisition were insignificant to the Group. The Group's revenue and results for the year ended February 28, 2019 would not be materially different if the acquisition had occurred on March 1, 2018.

32 FUTURE MINIMUM LEASE PAYMENTS RECEIVABLE

As at February 28, 2017, 2018 and 2019 and May 31, 2019, the future aggregate minimum lease payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

	As at February 28			As at May 31	
	2017	2018	2019	2019	2019
	RMB million	RMB million	RMB million	RMB million	RMB million
Not later than 1 year	37.6	30.9	25.0		37.5
Later than 1 year and not later than 5 years	7.9	34.0	19.4		15.5
Later than 5 years	–	–	–		2.9
	<u>45.5</u>	<u>64.9</u>	<u>44.4</u>		<u>55.9</u>

33 RELATED PARTY TRANSACTIONS

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in this Historical Financial Information:

Transactions for the Track Record Period

	Year ended February 28			Three months ended May 31	
	2017	2018	2019	2018	2019
	RMB million	RMB million	RMB million	RMB million	RMB million
Transactions with companies controlled by Belle International other than the Group (note (a))					
— Sale of goods	–	21.4	29.9	11.4	6.5
— Rental income	1.9	1.3	0.9	0.2	–
— Logistics services fees	–	–	347.6	47.3	93.0
— Storage services fees	6.2	27.1	–	–	–
— E-commerce services fees	–	186.4	128.5	45.5	34.2
— Rental expenses	19.3	49.9	21.5	7.3	0.7
Key management compensation					
— Salaries, bonuses and other welfare (note (b))	9.2	9.6	10.3	1.5	1.5
	<u>9.2</u>	<u>9.6</u>	<u>10.3</u>	<u>1.5</u>	<u>1.5</u>

Year-end/period-end balances

	As at February 28			As at May 31
	2017	2018	2019	2019
	RMB million	RMB million	RMB million	RMB million
Amounts due from fellow subsidiaries (<i>note (c)</i>)	523.6	782.1	52.0	–
Amounts due to (<i>note (c)</i>):				
— Belle International	3,124.0	3,096.9	3,355.0	3,354.5
— Fellow subsidiaries	375.0	2,223.0	205.2	0.7
	<u>3,499.0</u>	<u>5,319.9</u>	<u>3,560.2</u>	<u>3,355.2</u>

Notes:

- (a) Transactions with related companies are determined based on terms mutually agreed between the relevant parties.
- (b) Key management includes directors and certain executives who have important roles in making operational and financial decisions.
- (c) As at February 28, 2017, 2018 and 2019 and May 31, 2019, the balances with related parties are unsecured, interest free, repayable on demand and are denominated in RMB.
- (d) In addition, during the three months ended May 31, 2019, the Group entered into certain long-term lease arrangements with companies controlled by Belle International other than the Group which accounted for an addition of right-of-use assets amounting to RMB95.9 million with the corresponding lease liabilities of the same amount. As at May 31, 2019, the balance of these lease liabilities and assets amounted to RMB89.5 million and RMB89.0 million respectively, after payment of the relevant lease liabilities of RMB8.4 million (including interest expense) and depreciation of RMB6.9 million respectively, during the three months ended May 31, 2019.

34 DIVIDENDS

	Year ended February 28			Three months ended	
	2017	2018	2019	May 31	
	RMB million	RMB million	RMB million	RMB million	RMB million
Dividend declared by the Company (<i>note a</i>)	N/A	N/A	3,500.0	–	–
Dividends declared by the companies now comprising the Group to the then equity holders (<i>note b</i>)	1,614.9	2,217.0	574.3	12.5	–
	<u>1,614.9</u>	<u>2,217.0</u>	<u>4,074.3</u>	<u>12.5</u>	<u>–</u>

Notes:

- (a) During the year ended February 28, 2019, the Company declared a dividend of RMB3,500.0 million per share, totalling RMB3,500.0 million. As at February 28 and May 31, 2019, this dividend remained outstanding and included in the consolidated balance sheet as dividend payable.

- (b) These amounts represented dividends declared by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

35 EVENTS AFTER THE TRACK RECORD PERIOD

Save as disclosed elsewhere in the Historical Financial Information, the Group has no material events after the Track Record Period.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to May 31, 2019 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to May 31, 2019.

The following information does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the "Accountant's Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of May 31, 2019 as if the Global Offering had taken place on May 31, 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at May 31, 2019 or at any future dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at May 31, 2019 RMB million (Note 1)	Estimated net proceeds from the Global Offering RMB million (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at May 31, 2019 RMB million	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB HK\$ (Note 3) (Note 4)	
Based on the Offer Price of HK\$8.30 per Offer Share	1,553.9	6,775.3	8,329.2	1.34	1.48
Based on the Offer Price of HK\$10.10 per Offer Share	1,553.9	8,252.2	9,806.1	1.58	1.75

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at May 31, 2019 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at May 31, 2019 of RMB2,686.7 million, after deducting the Group's intangible assets attributable to the equity holders of the Company of RMB1,132.8 million as at May 31, 2019.
- (2) The estimated net proceeds from the Global Offering are based on 930,184,000 Offer Shares and the indicative Offer Price of HK\$8.30 per Offer Share and HK\$10.10 per Offer Share, being low and high end of the indicative Offer Price range, after deduction of the underwriting fees and other related expenses (excluding listing expenses of HK\$47.6 million which had been accounted for in the consolidated statement of profit or loss up to May 31, 2019).

- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 6,201,222,024 Shares were in issue assuming that the Global Offering and the Capitalization Issue have been completed on May 31, 2019 but does not take into account of any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the directors to issue or repurchase Shares as described in the section headed “Share Capital” in this prospectus.
- (4) For the purpose of the unaudited pro forma statement of adjusted net tangible assets, the translation of RMB into HK\$ was at rate of RMB0.90478 to HK\$1.00000.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets per Share to reflect any trading results or other transactions of the Group entered into subsequent to February 28, 2019.

B. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**To the Directors of Topsports International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Topsports International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at May 31, 2019, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated September 26, 2019, in connection with the proposed global offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed global offering on the Group's financial position as at May 31, 2019 as if the proposed global offering had taken place at May 31, 2019. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended May 31, 2019, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed global offering at May 31, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
September 26, 2019

SUMMARY OF THE CONSTITUTION OF OUR COMPANY

1 Memorandum of Association

The Memorandum of Association of our Company was conditionally adopted on September 6, 2019 and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents delivered to the Registrar of Companies and available for inspection”.

2 Articles of Association

The Articles of Association of our Company were conditionally adopted on September 6, 2019 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of adoption of the Articles is HK\$20,000 divided into 20,000,000,000 Shares of HK\$0.000001 each.

2.2 *Directors*

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of our Company or any subsidiary

The management of the business of our Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by our Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with our Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of our Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of our Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

Our Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). Our Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. Our Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. Our Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

Our Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

Our Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares.

Our Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution—majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of our Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

Our Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of our Company which carry the right of voting at general meetings of our Company. The written requisition shall be deposited at the principal office of our Company in Hong Kong or, in the event our Company ceases to have such a principal office, the registered office of our Company, specifying the objects of the meeting and signed by the requisitioner(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene

the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by our Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection by members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by our Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

Our Company shall at every annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the

relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, our Company shall endeavour to cause a notice of such postponement to be placed on our Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

- (a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of our Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof. All instruments of transfer shall be retained by our Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which our Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;

- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of our Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to our Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of our Company to purchase its own shares

Our Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of our Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of our Company such interim dividends as appear to the Directors to be justified by the profits of our Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

No dividend shall carry interest against our Company.

Whenever the Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. Our Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Our Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to our Company.

The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of

conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of our Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all monies which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either

generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares

held by them respectively. If in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Companies Law, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

Our Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) our Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 September 2018 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. Our Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;

- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and

- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of our Company;
or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, our Company's legal advisors on Cayman Islands law, have sent to our Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Law as exempted company with limited liability on September 5, 2018. We have established a principal place of business in Hong Kong at 10/F., Belle Tower, 918 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 14, 2019 under the same address. Mr. Leung Kam Kwan has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the relevant laws of the Cayman Islands and our constitution comprising our Memorandum and the Articles. A summary of certain provisions of our constitution and relevant aspects of Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in our share capital

As at the date of incorporation of our Company, the authorized share capital of our Company was US\$500,000 divided into 5,000,000 Shares of par value of US\$0.1 each. The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this prospectus.

On September 5, 2018, we allotted and issued one ordinary share of a par value of US\$0.1 to the initial subscriber which was transferred to Belle International and subsequently to Belle Sports.

On September 6, 2019, the authorized share capital of our Company was increased from US\$500,000 divided into 5,000,000 ordinary shares of par value of US\$0.1 each by HK\$20,000 by the creation of 20,000,000,000 Shares of a par value of HK\$0.000001 each. Following such increase, one Share was allotted and issued fully paid at par to our existing Shareholder, Belle Sports. Following such share issue, the one existing issued ordinary share of a par value of US\$0.1 of our Company was repurchased at par, following which such one ordinary share of a par value of US\$0.1 was cancelled. Following such repurchase, the authorized share capital of our Company was diminished by cancellation of all the 5,000,000 unissued ordinary shares of a par value of US\$0.1 each following which, the authorized share capital of our Company is HK\$20,000 divided into 20,000,000,000 of a par value of HK\$0.000001 each.

Immediately following the Capitalization Issue and before the Global Offering, the issued share capital of our Company will be HK\$5,271.038024 divided into 5,271,038,024 Shares of a par value of HK\$0.000001 each, all fully paid or credited as fully paid, and HK\$14,728.961976 divided into 14,728,961,976 Shares of a par value of HK\$0.000001 each will remain unissued.

Immediately following the completion of the Global Offering, our issued share capital will be HK\$6,201,222,024 divided into 6,201,222,024 Shares, all fully paid or credited as fully paid and 13,798,777,976 Shares will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed “4. Resolutions in writing of our Shareholder” below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and particulars of our principal subsidiaries are set out in Note 2.1 of section II of the Accountant’s Report set out in Appendix I to this prospectus.

The following sets out the changes in the share capital of our Principal Operating Subsidiaries during the two years immediately preceding the date of this prospectus:

On October 22, 2018, Taobo Sports (Tianjin) Company Limited (滔搏運動服飾(天津)有限公司) was incorporated with a registered capital of RMB50 million.

On February 18, 2019, Dalian Chuancheng Taobo Trading Company Limited (大連傳承滔搏商貿有限公司) was incorporated with a registered capital of RMB2 million.

On February 25, 2019, Heilongjiang Taobo Trading Company Limited (黑龍江省滔搏商貿有限公司) was incorporated with a registered capital of RMB2 million.

On February 18, 2019, Jilin Chuancheng Taobo Trading Company Limited (吉林省傳承滔搏商貿有限公司) was incorporated with a registered capital of RMB2 million.

Save as disclosed above, there has been no alteration in the share capital of any of our Principal Operating Subsidiaries within the two years preceding the date of this prospectus.

4. Resolutions in writing of our Shareholder

Written resolutions of our Shareholder were passed on September 6, 2019, pursuant to which, among others:

- (a) the Memorandum and Articles were approved and adopted conditional upon Listing;
- (b) increase in authorized share capital from US\$500,000 divided into 5,000,000 ordinary shares of a par value of US\$0.1 each to the aggregate of (i) US\$500,000 divided into 5,000,000 ordinary shares of a par value of US\$0.1 each and (ii) HK\$20,000 divided into 20,000,000,000 Shares of a par value of HK\$0.000001 each by the creation of 20,000,000,000 Shares of a par value of HK\$0.000001 each was approved;

- (c) the allotment and issue of one Share at par to our then existing Shareholder, Belle Sports, credited as fully paid, was approved;
- (d) following the issue of the Share referred to in paragraph (c) above, the repurchase of one issued ordinary share of a par value of US\$0.1 each at par was approved and, subject to and immediately after the repurchase of one ordinary share of a par value of US\$0.1 each in our Company, the reduction of the authorized share capital to HK\$20,000 divided into 20,000,000,000 Shares of a par value of HK\$0.000001 each by cancellation of the 5,000,000 authorized but unissued ordinary shares of a par value of US\$0.1 each was approved;
- (e) following the change in authorized and issued share capital of our Company as referred to in paragraphs (b) to (d) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the Directors were authorized to capitalize HK\$5,271.038023 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par 5,271,038,023 Shares for allotment and issue to the person whose name appears on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional in accordance with the direction of such member;
- (f) conditional upon all the conditions set out in “Structure of the Global Offering—Conditions of the Global Offering” in this prospectus being fulfilled:
 - A. the Global Offering and the Over-allotment Option were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
 - B. the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and
 - C. the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the Offer Price per Offer Share with the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (g) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the Global Offering, a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the

Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, such mandate to remain in effect until (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of our Company, whichever is the earliest;

- (h) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase our own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, such mandate to remain in effect until whichever is the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of our Company; and
- (i) the general mandate mentioned in paragraph (g) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (h) above.

5. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. See the section headed “History, Reorganization and Corporate Structure—Reorganization” in this prospectus for information relating to the Reorganization.

6. Repurchases of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on September 6, 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by us of Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering, such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition, or (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by our Articles or any other applicable laws, or (iii) when revoked or varied by an ordinary resolution of Shareholders in general meeting of our Company.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with our Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Under the Cayman Companies Law, the par value of any Shares repurchased by us may be provided for out of our profits, out of share premium, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles and subject to the provisions of the Cayman Companies Law, out of capital.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Capitalization Issue and Global Offering. We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, whether on the Stock Exchange or otherwise, without the prior approval of the Stock Exchange. We are also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. An issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Companies Law, a company's repurchased shares may be cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares at any time after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- A. the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- B. the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or any of their respective close associates (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 6,201,222,024 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, could accordingly result in 620,122,202 Shares being repurchased by us during the period prior to the earliest of (i) the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of the Shareholders in general meeting either unconditionally or subject to condition; (ii) the expiration of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting; or (iii) the revocation or variation of the mandate by an ordinary resolution of the Shareholders in general meeting of our Company (the “**Relevant Period**”).

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder’s proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the public float percentage as agreed with the Stock Exchange could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contract**




We have entered into the Hong Kong Underwriting Agreement (not being a contract entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material.








2. Intellectual Property Rights of our Group




As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.





(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks of our Group which are material to our business:





No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
1.	22070929		35	PRC	TopSports Investments (Shanghai) Company Limited	From January 14, 2018 to January 13, 2028
2.	22065472		35	PRC	TopSports Investments (Shanghai) Company Limited	From July 28, 2018 to July 27, 2028
3.	18846977	topsneaker	35	PRC	TopSports Investments (Shanghai) Company Limited	From February 14, 2017 to February 13, 2027
4.	18510064		35	PRC	TopSports Investments (Shanghai) Company Limited	From March 28, 2017 to March 27, 2027
















No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
5.	17462897		35	PRC	Topsports Investments (Shanghai) Company Limited	From June 21, 2017 to June 20, 2027
6.	17462896		35	PRC	Topsports Investments (Shanghai) Company Limited	From September 14, 2016 to September 13, 2026
7.	17462895		35	PRC	Topsports Investments (Shanghai) Company Limited	From September 14, 2016 to September 13, 2026
8.	12316622		35	PRC	Topsports Investments (Shanghai) Company Limited	From September 7, 2014 to September 6, 2024
9.	9983135		35	PRC	Topsports Investments (Shanghai) Company Limited	From November 21, 2012 to November 20, 2022
10.	6690201		35	PRC	Topsports Investments (Shanghai) Company Limited	From August 21, 2010 to August 20, 2020
11.	304799666		16, 18, 25, 28, 35	Hong Kong	Full State	From January 14, 2019 to January 13, 2029















No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
12.	6690190		16	PRC	Topsports Investments (Shanghai) Company Limited	From March 28, 2010 to March 27, 2020
13.	6690197		25	PRC	Topsports Investments (Shanghai) Company Limited	From August 21, 2010 to August 20, 2020
14.	6690200		28	PRC	Topsports Investments (Shanghai) Company Limited	From August 28, 2010 to August 27, 2020
15.	6690203		39	PRC	Topsports Investments (Shanghai) Company Limited	From September 07, 2010 to September 06, 2020
16.	6690206		41	PRC	Topsports Investments (Shanghai) Company Limited	From September 07, 2010 to September 06, 2020
17.	6690189		11	PRC	Topsports Investments (Shanghai) Company Limited	From September 28, 2010 to September 27, 2020
18.	6690193		18	PRC	Topsports Investments (Shanghai) Company Limited	From October 14, 2010 to October 13, 2020
















No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
19.	17097962		18	PRC	Topsports Investments (Shanghai) Company Limited	From September 28, 2017 to September 27, 2027
20.	21081248		43	PRC	Topsports Investments (Shanghai) Company Limited	From October 28, 2017 to October 27, 2027
21.	22801046		25	PRC	Topsports Investments (Shanghai) Company Limited	From May 7, 2018 to May 6, 2028
22.	22801047		18	PRC	Topsports Investments (Shanghai) Company Limited	From May 7, 2018 to May 6, 2028


As of the Latest Practicable Date, we have been licensed to use the following registered trademarks pursuant to the IP Licensing Agreement:


















No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
1.	28326311		9, 18, 28, 38	PRC	New Belle Footwear (SZ)	From March 21, 2019 to March 20, 2029
2.	28321575	TOPSPORTS	9, 18, 41	PRC	New Belle Footwear (SZ)	From February 21, 2019 to February 20, 2029
3.	6436209		1	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
4.	6436208		2	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
5.	6436207		3	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030













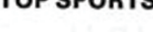

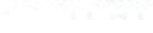
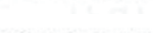




No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
6.	6436206		4	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
7.	6436205		5	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
8.	6436204		6	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
9.	6436203		7	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
10.	6436202		8	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
11.	6436201		9	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
12.	6436200		10	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030
13.	6436199		11	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
14.	6436198		12	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
15.	6436197		13	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
16.	6436196		14	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
17.	6436195		15	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030
18.	6436194		16	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
19.	6436193		17	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
20.	6436192		18	PRC	New Belle Footwear (SZ)	From May 21, 2010 to May 20, 2020
















No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
21.	6436191		19	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
22.	6436190		20	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
23.	6436189		21	PRC	New Belle Footwear (SZ)	From March 21, 2010 to March 20, 2030
24.	6436188		22	PRC	New Belle Footwear (SZ)	From May 21, 2010 to May 20, 2020
25.	6436187		23	PRC	New Belle Footwear (SZ)	From May 21, 2010 to May 20, 2020
26.	6436186		24	PRC	New Belle Footwear (SZ)	From December 14, 2010 to December 13, 2020
27.	6436185		25	PRC	New Belle Footwear (SZ)	From May 21, 2010 to May 20, 2020
28.	6436184		26	PRC	New Belle Footwear (SZ)	From May 21, 2010 to May 20, 2020
29.	6436183		27	PRC	New Belle Footwear (SZ)	From July 7, 2010 to July 6, 2020
30.	6436182		28	PRC	New Belle Footwear (SZ)	From May 21, 2010 to May 20, 2020
31.	6436181		29	PRC	New Belle Footwear (SZ)	From November 14, 2009 to November 13, 2029
32.	6436180		30	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
33.	6436179		31	PRC	New Belle Footwear (SZ)	From November 14, 2009 to November 13, 2029
34.	6436178		32	PRC	New Belle Footwear (SZ)	From March 21, 2010 to March 20, 2030
35.	6436177		33	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030








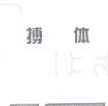







No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
36.	6436176		34	PRC	New Belle Footwear (SZ)	From November 28, 2009 to November 27, 2029
37.	6436175		35	PRC	New Belle Footwear (SZ)	From August 14, 2010 to August 13, 2020
38.	6436174		36	PRC	New Belle Footwear (SZ)	From May 7, 2010 to May 6, 2020
39.	6436172		37	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
40.	6436170		39	PRC	New Belle Footwear (SZ)	From August 14, 2010 to August 13, 2020
41.	6436169		40	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
42.	6436168		41	PRC	New Belle Footwear (SZ)	From August 14, 2010 to August 13, 2020
43.	6436167		42	PRC	New Belle Footwear (SZ)	From August 14, 2010 to August 13, 2020
44.	6436166		43	PRC	New Belle Footwear (SZ)	From April 14, 2010 to April 13, 2020
45.	6436165		44	PRC	New Belle Footwear (SZ)	From April 14, 2010 to April 13, 2020
46.	6436164		45	PRC	New Belle Footwear (SZ)	From April 14, 2010 to April 13, 2020
47.	6416970		2	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
48.	6416969		4	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
49.	6416968		5	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
50.	6416967		6	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
51.	6416966		7	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
52.	6416965		8	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
53.	6416964		10	PRC	New Belle Footwear (SZ)	From February 28, 2010 to February 27, 2030
54.	6416963		11	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
55.	6416962		12	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030
56.	6416961		13	PRC	New Belle Footwear (SZ)	From May 7, 2010 to May 6, 2020
57.	6416960		15	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030
58.	6416959		17	PRC	New Belle Footwear (SZ)	From June 28, 2010 to June 27, 2020
59.	6416958		19	PRC	New Belle Footwear (SZ)	From June 28, 2010 to June 27, 2020
60.	6416957		20	PRC	New Belle Footwear (SZ)	From April 28, 2010 to April 27, 2020
61.	6416956		23	PRC	New Belle Footwear (SZ)	From May 14, 2010 to May 13, 2020
62.	6416955		26	PRC	New Belle Footwear (SZ)	From May 14, 2010 to May 13, 2020
63.	6416954		27	PRC	New Belle Footwear (SZ)	From July 7, 2010 to July 6, 2020
64.	6416953		29	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029


















No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
65.	6416952		30	PRC	New Belle Footwear (SZ)	From March 21, 2010 to March 20, 2030
66.	6416951		31	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
67.	6416950		33	PRC	New Belle Footwear (SZ)	From February 28, 2010 to February 27, 2030
68.	6416949		36	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
69.	6416947		39	PRC	New Belle Footwear (SZ)	From July 7, 2010 to July 6, 2020
70.	6416946		40	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
71.	6416945		42	PRC	New Belle Footwear (SZ)	From July 7, 2010 to July 6, 2020
72.	6416944		43	PRC	New Belle Footwear (SZ)	From July 14, 2010 to July 13, 2020
73.	6416943		44	PRC	New Belle Footwear (SZ)	From April 7, 2010 to April 6, 2020
74.	6416920		1	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
75.	6416919		2	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
76.	6416918		4	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
77.	6416917		5	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
78.	6416916		6	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030
79.	6416915		7	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
80.	6416914		8	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
81.	6416913		10	PRC	New Belle Footwear (SZ)	From February 28, 2010 to February 27, 2030

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
82.	6416912		11	PRC	New Belle Footwear (SZ)	From September 14, 2010 to September 13, 2020
83.	6416911		12	PRC	New Belle Footwear (SZ)	From April 21, 2010 to April 20, 2020
84.	6416910		13	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
85.	6416909		15	PRC	New Belle Footwear (SZ)	From March 7, 2010 to March 6, 2030
86.	6416908		17	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
87.	6416907		19	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
88.	6416906		20	PRC	New Belle Footwear (SZ)	From March 14, 2010 to March 13, 2030
89.	6416905		23	PRC	New Belle Footwear (SZ)	From June 28, 2010 to June 27, 2020
90.	6416904		26	PRC	New Belle Footwear (SZ)	From June 28, 2010 to June 27, 2020
91.	6416902		29	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
92.	6416900		31	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
93.	6416899		33	PRC	New Belle Footwear (SZ)	From February 28, 2010 to February 27, 2030
94.	6416898		36	PRC	New Belle Footwear (SZ)	From June 28, 2010 to June 27, 2020
95.	6416897		38	PRC	New Belle Footwear (SZ)	From January 7, 2011 to January 6, 2021
96.	6416896		39	PRC	New Belle Footwear (SZ)	From July 7, 2010 to July 6, 2020
97.	6416895		40	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030
98.	6416894		42	PRC	New Belle Footwear (SZ)	From July 7, 2010 to July 6, 2020
99.	6416893		43	PRC	New Belle Footwear (SZ)	From April 7, 2010 to April 6, 2020
100.	6416892		44	PRC	New Belle Footwear (SZ)	From April 7, 2010 to April 6, 2020
101.	6416891		1	PRC	New Belle Footwear (SZ)	From March 28, 2010 to March 27, 2030







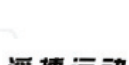


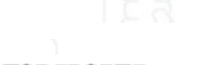
No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
102.	5433133		37	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
103.	5433132		35	PRC	New Belle Footwear (SZ)	From September 14, 2009 to September 13, 2029
104.	5433131		34	PRC	New Belle Footwear (SZ)	From April 7, 2009 to April 6, 2029
105.	5433130		32	PRC	New Belle Footwear (SZ)	From May 21, 2009 to May 20, 2029
106.	5433129		28	PRC	New Belle Footwear (SZ)	From January 7, 2010 to January 6, 2030
107.	5433128		25	PRC	New Belle Footwear (SZ)	From January 7, 2010 to January 6, 2030
108.	5433127		24	PRC	New Belle Footwear (SZ)	From August 7, 2009 to August 6, 2029
109.	5433126		22	PRC	New Belle Footwear (SZ)	From August 21, 2009 to August 20, 2029
110.	5433125		21	PRC	New Belle Footwear (SZ)	From August 14, 2009 to August 13, 2029
111.	5433124		18	PRC	New Belle Footwear (SZ)	From August 21, 2009 to August 20, 2029
112.	5433123		28	PRC	New Belle Footwear (SZ)	From October 28, 2010 to October 27, 2020
113.	5433122		25	PRC	New Belle Footwear (SZ)	From January 7, 2010 to January 6, 2030
114.	5433121		24	PRC	New Belle Footwear (SZ)	From June 28, 2010 to June 27, 2020
115.	5433120		22	PRC	New Belle Footwear (SZ)	From August 21, 2009 to August 20, 2029
116.	5433119		21	PRC	New Belle Footwear (SZ)	From November 21, 2009 to November 20, 2029

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
117.	5433118		18	PRC	New Belle Footwear (SZ)	From August 21, 2009 to August 20, 2029
118.	5433117		16	PRC	New Belle Footwear (SZ)	From November 21, 2009 to November 20, 2029
119.	5433116		14	PRC	New Belle Footwear (SZ)	From August 14, 2009 to August 13, 2029
120.	5433115		9	PRC	New Belle Footwear (SZ)	From June 14, 2009 to June 13, 2029
121.	5433114		3	PRC	New Belle Footwear (SZ)	From September 7, 2009 to September 6, 2029
122.	5433113		16	PRC	New Belle Footwear (SZ)	From August 14, 2009 to August 13, 2029
123.	5433112		14	PRC	New Belle Footwear (SZ)	From August 14, 2009 to August 13, 2029
124.	5433111		9	PRC	New Belle Footwear (SZ)	From June 14, 2009 to June 13, 2029
125.	5433110		3	PRC	New Belle Footwear (SZ)	From September 7, 2009 to September 6, 2029
126.	5433109		45	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
127.	5433108		41	PRC	New Belle Footwear (SZ)	From September 14, 2009 to September 13, 2029
128.	5433107		37	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
129.	5433106		35	PRC	New Belle Footwear (SZ)	From September 14, 2009 to September 13, 2029
130.	5433105		34	PRC	New Belle Footwear (SZ)	From April 7, 2009 to April 6, 2029
131.	5433104		32	PRC	New Belle Footwear (SZ)	From May 21, 2009 to May 20, 2029

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
132.	5433097	滔 携 体 育	45	PRC	New Belle Footwear (SZ)	From November 7, 2009 to November 6, 2029
133.	5433096	滔 携 体 育	41	PRC	New Belle Footwear (SZ)	From April 28, 2010 to April 27, 2020
134.	4175794	运动大道	3	PRC	New Belle Footwear (SZ)	From June 28, 2007 to June 27, 2027
135.	4175793	运动大道	9	PRC	New Belle Footwear (SZ)	From November 14, 2006 to November 13, 2026
136.	4175792	运动大道	18	PRC	New Belle Footwear (SZ)	From February 7, 2008 to February 6, 2028
137.	4175791	运动大道	20	PRC	New Belle Footwear (SZ)	From June 28, 2007 to June 27, 2027
138.	4175786	运动大道	22	PRC	New Belle Footwear (SZ)	From January 14, 2008 to January 13, 2028
139.	4175785	运动大道	25	PRC	New Belle Footwear (SZ)	From February 7, 2008 to February 6, 2028
140.	4175784	运动大道	28	PRC	New Belle Footwear (SZ)	From February 7, 2008 to February 6, 2028
141.	4175783	运动大道	35	PRC	New Belle Footwear (SZ)	From October 28, 2007 to October 27, 2027
142.	4175782	运动大道	41	PRC	New Belle Footwear (SZ)	From October 28, 2007 to October 27, 2027
143.	4175781	运动大道	43	PRC	New Belle Footwear (SZ)	From October 28, 2007 to October 27, 2027
144.	4175780	运动大道	44	PRC	New Belle Footwear (SZ)	From October 28, 2007 to October 27, 2027
145.	4175779	道無疆，动無界。	35	PRC	New Belle Footwear (SZ)	From October 28, 2007 to October 27, 2027
146.	4086404	TOPSPORTS	3	PRC	New Belle Footwear (SZ)	From February 21, 2007 to February 20, 2027
147.	4086403	TOPSPORTS	9	PRC	New Belle Footwear (SZ)	From September 28, 2006 to September 27, 2026
148.	4086402	TOPSPORTS	14	PRC	New Belle Footwear (SZ)	From February 21, 2007 to February 20, 2027

No.	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
149.	4086401		16	PRC	New Belle Footwear (SZ)	From February 21, 2007 to February 20, 2027
150.	4086400		18	PRC	New Belle Footwear (SZ)	From January 7, 2008 to January 6, 2028
151.	4086399		21	PRC	New Belle Footwear (SZ)	From February 21, 2007 to February 20, 2027
152.	4086398		22	PRC	New Belle Footwear (SZ)	From January 7, 2008 to January 6, 2028
153.	4086397		24	PRC	New Belle Footwear (SZ)	From January 7, 2008 to January 6, 2028
154.	4086395		28	PRC	New Belle Footwear (SZ)	From October 7, 2008 to October 6, 2028
155.	4086154		32	PRC	New Belle Footwear (SZ)	From July 21, 2006 to July 20, 2026
156.	4086153		34	PRC	New Belle Footwear (SZ)	From July 21, 2006 to July 20, 2026
157.	4086152		35	PRC	New Belle Footwear (SZ)	From May 21, 2007 to May 20, 2027
158.	4086151		37	PRC	New Belle Footwear (SZ)	From May 21, 2007 to May 20, 2027
159.	4086150		41	PRC	New Belle Footwear (SZ)	From May 21, 2007 to May 20, 2027
160.	4086149		25	PRC	New Belle Footwear (SZ)	From December 7, 2007 to December 6, 2027
161.	4086148		35	PRC	New Belle Footwear (SZ)	From May 21, 2007 to May 20, 2027
162.	4086147		18	PRC	New Belle Footwear (SZ)	From December 7, 2007 to December 6, 2027
163.	4043998		18	PRC	New Belle Footwear (SZ)	From November 7, 2007 to November 6, 2027
164.	4043997		25	PRC	New Belle Footwear (SZ)	From November 7, 2007 to November 6, 2027
165.	4043996		35	PRC	New Belle Footwear (SZ)	From March 28, 2007 to March 27, 2027

As of the latest Practicable Date, New Belle Footwear (SZ) has applied for registration of, and has licensed to our Group pursuant to the IP Licensing Agreement to use, the following trademarks, certificates of registration for which have not yet been issued. Details of such trademarks are as follows:

No.	Application Number	Trademark	Place of Application	Name of Applicant	Class	Date of Application
1.	36380090	 TES 滔搏电竞	PRC	New Belle Footwear (SZ)	25	February 18, 2019
2.	36378277	 TES 滔搏电竞	PRC	New Belle Footwear (SZ)	28	February 18, 2019
3.	36368695	 TES 滔搏电竞	PRC	New Belle Footwear (SZ)	41	February 18, 2019
4.	36367918	 TES 滔搏电竞	PRC	New Belle Footwear (SZ)	35	February 18, 2019
5.	36366734	 TES 滔搏电竞	PRC	New Belle Footwear (SZ)	9	February 18, 2019
6.	36034905	 TOPSPORTS	PRC	New Belle Footwear (SZ)	35	January 18, 2019
7.	36032529	 滔搏运动	PRC	New Belle Footwear (SZ)	35	January 18, 2019
8.	36025715	 TOPSPORTS 滔搏运动	PRC	New Belle Footwear (SZ)	25	January 18, 2019
9.	36025341	 滔搏运动	PRC	New Belle Footwear (SZ)	25	January 18, 2019
10.	36018536	 TOPSPORTS 滔搏运动	PRC	New Belle Footwear (SZ)	35	January 18, 2019

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain Name	Registered Owner	Place of Registration	Date of Registration	Expiry Date
1.	fossofficial.com	Topsports Enterprise Development (Shanghai) Company Limited	PRC	September 6, 2018	September 6, 2023
2.	topsports.com.cn	Topsports Investments (Shanghai) Company Limited	PRC	May 26, 2004	May 25, 2020

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**1. Disclosure of Interests****(a) Interests and short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations**

Immediately following the completion of the Global Offering, none of our Directors or chief executives holds any interests on short positions in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”), once the Shares are listed.

(b) Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)

So far as the Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group (other than us).

2. Particulars of Service Contracts

(a) *Sole Executive Director*

The sole executive Director has entered into a service contract with us under which he agreed to act as an executive Director for an initial term of three years since the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or us.

The appointment of the executive Director is subject to the provisions of retirement and rotation of Directors under the Articles and the Listing Rules.

(b) *Non-executive Directors and Independent Non-executive Directors*

Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with us for an initial term of three years since the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles and the Listing Rules.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).
- (ii) During the year ended February 28, 2019, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB5.63 million. Details of the Directors' remuneration are also set out in note 13 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended February 28, 2019 by us to the Directors.
- (iii) Under the arrangement currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending February 28, 2020 is estimated to be approximately RMB7 million.

- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the Track Record Period (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind during the Track Record Period.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the paragraph headed “D. Other Information—7. Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of the parties listed in the paragraph headed “D. Other Information—6. Qualification of Experts” below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;
- (b) save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed “D. Other Information—6. Qualification of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (c) save as disclosed in this prospectus and in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “D. Other Information—6. Qualification of Experts” below: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (d) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of Hong Kong, the Cayman Islands and the PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be sold upon the exercise of the Over-allotment Option). All necessary arrangements have been made to enable such Shares to be admitted into CCASS for clearing and settlement.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fee payable to each of the Joint Sponsors in respect of its services as sponsor for the Listing is US\$500,000 and payable by us.

4. Preliminary Expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US\$3,377.25 and were paid by us.

5. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Merrill Lynch Far East Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Morgan Stanley Asia Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
JunHe LLP	PRC legal advisors
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisors
Frost & Sullivan International Limited	Industry Consultant

7. Consents of Experts

Each of the persons named in “—6. Qualification of Experts” in this Appendix IV has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

8. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Reserves available for distribution

As at May 31, 2019, we have reserves of RMB19,320 million available for distribution to our Shareholders.

10. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
 - (i) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (ii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.
- (d) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

- (e) Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Particulars of the Selling Shareholder

The particulars of the Selling Shareholder are set out below:

Name:	Belle Sports
Place of incorporation:	BVI
Date of incorporation:	September 7, 2018
Registered office:	Maples Corporate Services (BVI) Limited Kingston Chambers PO Box 173, Road Town Tortola, BVI
Maximum number of Shares to be sold pursuant to the exercise of the Over-allotment Option:	139,527,000 Shares

The Selling Shareholder is an investment holding company and is wholly-owned by Belle International which is ultimately held by WMVL, Hillhouse HHBH and SCBL as to 46.36%, 44.48% and 9.16%, respectively, as at the Latest Practicable Date.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) a copy of the material contract referred to the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contract” in Appendix IV to this prospectus;
- (c) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix IV to this prospectus; and
- (d) the statement of particulars of the Selling Shareholder.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong) at 37/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles;
- (b) the Accountant’s Report received from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for the years ended February 28, 2017, 2018 and 2019 and for the three months ended May 31, 2019;
- (d) the report on the unaudited pro forma financial information received from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (e) the legal opinions issued by JunHe LLP, our PRC legal advisors, dated September 26, 2019 in respect of certain aspects of our Group and the property interests of our Group;
- (f) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman legal advisors, in respect of certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (g) the Cayman Companies Law;

- (h) the Industry Consultant Report;
- (i) the material contract referred to the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contract” in Appendix IV to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information—D. Other Information—7. Consents of Experts” in Appendix IV to this prospectus;
- (k) service contract and letters of appointment entered into between our Company and each of the Directors; and
- (l) the statement of particulars of the Selling Shareholder.

TOPSPORTS 滔搏