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# TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

## 滔搏國際控股有限公司

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

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

#### FINANCIAL HIGHLIGHTS

		Unaudited Six months ended 31 August	
		2020	2019
Revenue	RMB million	<b>15,769.5</b>	16,957.6
Gross profit	RMB million	<b>6,565.5</b>	7,409.7
Operating profit	RMB million	<b>1,908.8</b>	2,092.2
Profit attributable to the Company's equity holders	RMB million	<b>1,309.1</b>	1,470.9
Non-IFRS Measure – Adjusted operating profit <sup>(1)</sup>	RMB million	<b>1,911.7</b>	2,160.7
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders <sup>(1)</sup>	RMB million	<b>1,311.3</b>	1,535.0
Gross profit margin	%	<b>41.6</b>	43.7
Operating profit margin	%	<b>12.1</b>	12.3
Profit margin attributable to the Company's equity holders	%	<b>8.3</b>	8.7
Non-IFRS Measure – Adjusted operating profit margin	%	<b>12.1</b>	12.7
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	%	<b>8.3</b>	9.1
Earnings per share – basic and diluted <sup>(2)</sup>	RMB cents	<b>21.11</b>	27.91
Adjusted earnings per share – basic and diluted, for illustrative purpose <sup>(2)</sup>	RMB cents	<b>21.11</b>	23.72
Interim dividend per share	RMB cents	<b>12.00</b>	12.00
Special dividend per share	RMB cents	<b>40.00</b>	N/A

Notes:

- (1) *Our adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with IFRS, and they are considered as non-IFRS financial measures. The adjusted operating profit and adjusted profit attributable to the Company's equity holders are adjusted by adding back the effect of listing expenses and the amortization of our intangible assets arising from business combination. We believe that this information 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 measures a substitute for or superior to our IFRS results.*
- (2) *Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB1,309.1 million for the six months ended 31 August 2020 (six months ended 31 August 2019: RMB1,470.9 million) by the weighted average number of ordinary shares of the Company in issue and taking into account the effect of the Capitalization Issue (as defined in the prospectus of the Company dated 26 September 2019 (the "**Prospectus**")). The basic and diluted earnings per share for the six months ended 31 August 2020 and 2019 is not comparable as the new shares issued pursuant to the Global Offering of the Company on 10 October 2019 does not and is not required to account for in the earnings per share for the six months ended 31 August 2019. For illustrative purpose and provide with more relevant information for investors, the adjusted earnings per share for the six months ended 31 August 2019 is calculated by dividing profit attributable to the Company's equity holders by the weighted average number of ordinary shares of 6,201,222,024 shares, which accounted for the effect of the Capitalization Issue and the Global Offering.*

## INTERIM RESULTS

The board of directors (the “**Board**” or “**Directors**”) of Topsports International Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 August 2020 (the “**Period under Review**”), together with comparative information for the same period of 2019, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 31 AUGUST 2020

		<b>Unaudited</b>	
		<b>Six months ended 31 August</b>	
		<b>2020</b>	<b>2019</b>
	<i>Note</i>	<i>RMB million</i>	<i>RMB million</i>
<b>Revenue</b>	4	<b>15,769.5</b>	16,957.6
Cost of sales	6	<b>(9,204.0)</b>	(9,547.9)
<b>Gross profit</b>		<b>6,565.5</b>	7,409.7
Selling and distribution expenses	6	<b>(4,207.4)</b>	(4,727.8)
General and administrative expenses	6	<b>(606.1)</b>	(721.5)
Impairment of trade receivables	6	<b>(24.3)</b>	-
Other income	5	<b>181.1</b>	131.8
<b>Operating profit</b>		<b>1,908.8</b>	2,092.2
Finance income		<b>83.8</b>	6.5
Finance costs		<b>(138.5)</b>	(118.2)
Finance costs, net	7	<b>(54.7)</b>	(111.7)
<b>Profit before income tax</b>		<b>1,854.1</b>	1,980.5
Income tax expense	8	<b>(545.0)</b>	(509.6)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>1,309.1</b>	1,470.9
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>		<b><i>RMB cents</i></b>	<b><i>RMB cents</i></b>
<b>Basic and diluted earnings per share</b>	9	<b>21.11</b>	27.91

**CONDENSED CONSOLIDATED  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 31 AUGUST 2020**

	<b>Unaudited</b>	
	<b>Six months ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
	<i>RMB million</i>	<i>RMB million</i>
<b>Profit for the period attributable to equity holders of the Company</b>	<b>1,309.1</b>	<b>1,470.9</b>
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences	-	2.3
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences	<b>34.8</b>	-
	<b>34.8</b>	<b>2.3</b>
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<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>1,343.9</b>	<b>1,473.2</b>
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# CONDENSED CONSOLIDATED BALANCE SHEET

## AS AT 31 AUGUST 2020

		Unaudited As at 31 August 2020 <i>RMB million</i>	Audited As at 29 February 2020 <i>RMB million</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		975.6	1,153.8
Right-of-use assets		3,603.4	3,908.8
Intangible assets		1,090.6	1,103.3
Long-term deposits, prepayments and other receivables		238.9	255.5
Long-term bank deposits		1,000.0	-
Deferred income tax assets		285.8	237.5
		<b>7,194.3</b>	<b>6,658.9</b>
<b>Current assets</b>			
Inventories		6,594.4	6,649.0
Trade receivables	11	1,660.3	1,486.7
Deposits, prepayments and other receivables		849.2	822.0
Pledged term deposits and other bank deposits		2,023.5	3,594.7
Bank balances and cash		2,265.8	2,823.9
		<b>13,393.2</b>	<b>15,376.3</b>
<b>Total assets</b>		<b>20,587.5</b>	<b>22,035.2</b>

# CONDENSED CONSOLIDATED BALANCE SHEET

## AS AT 31 AUGUST 2020

		Unaudited As at 31 August 2020 RMB million	Audited As at 29 February 2020 RMB million
	Note		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		2,297.6	2,519.9
Deferred income tax liabilities		200.0	73.2
		<u>2,497.6</u>	<u>2,593.1</u>
<b>Current liabilities</b>			
Trade payables	12	1,097.0	1,105.5
Other payables, accruals and other liabilities		1,184.1	1,593.2
Dividend payable	10	-	1,635.3
Short-term borrowings		2,460.0	2,400.0
Lease liabilities		1,301.6	1,344.7
Current income tax liabilities		594.4	820.4
		<u>6,637.1</u>	<u>8,899.1</u>
<b>Total liabilities</b>		<u>9,134.7</u>	<u>11,492.2</u>
<b>Net assets</b>		<u>11,452.8</u>	<u>10,543.0</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		-	-
Other reserves		8,217.3	8,593.4
Retained earnings		3,235.5	1,949.6
<b>Total equity</b>		<u>11,452.8</u>	<u>10,543.0</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 AUGUST 2020

	Unaudited	
	Six months ended 31 August	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operations	2,673.8	2,490.8
Income tax paid	(692.5)	(279.9)
<b>Net cash generated from operating activities</b>	<b>1,981.3</b>	<b>2,210.9</b>
<b>Cash flows from investing activities</b>		
Payments for purchases of property, plant and equipment and intangible assets	(238.5)	(271.4)
Proceeds from disposals of property, plant and equipment	4.2	8.5
Payment for acquisition of a business	(0.5)	-
Withdrawal of pledged term deposits under the cross-border cash pooling arrangement	2,031.2	-
Placement of long-term bank deposits	(1,000.0)	-
Placement of other bank deposits	(460.0)	-
Interest received	57.1	6.5
<b>Net cash generated from/(used in) investing activities</b>	<b>393.5</b>	<b>(256.4)</b>
<b>Cash flows from financing activities</b>		
Proceeds from drawings as borrowings under the cross-border cash pooling arrangement	460.0	-
Repayment of drawings as borrowings under the cross-border cash pooling arrangement	(1,000.0)	-
Proceeds from bank borrowings	1,000.0	-
Repayments of bank borrowings	(400.0)	(400.0)
Payment for lease liabilities (including interest)	(868.8)	(890.0)
Changes in balances with related companies	-	(144.9)
Interest paid for bank borrowings	(54.7)	(23.1)
Dividends paid	(2,069.4)	(1,598.0)
<b>Net cash used in financing activities</b>	<b>(2,932.9)</b>	<b>(3,056.0)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(558.1)</b>	<b>(1,101.5)</b>
Cash and cash equivalents at beginning of the period	2,823.9	450.5
<b>Cash and cash equivalents at end of the period</b>	<b>2,265.8</b>	<b>(651.0)</b>
<b>Cash and cash equivalents comprise of:</b>		
Bank balances and cash	2,265.8	631.5
Bank overdrafts	-	(1,282.5)
	<b>2,265.8</b>	<b>(651.0)</b>

# NOTES

## 1 GENERAL INFORMATION AND SIGNIFICANT EVENT

### 1.1 GENERAL INFORMATION

Topsports International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the sales of sportswear products and leasing commercial spaces to other retailers for concessionaire sales in the People’s Republic of China (the “PRC”). The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company was incorporated in the Cayman Islands on 5 September 2018 as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, Cap.22, (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time. As at 31 August 2020, 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.

The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 10 October 2019.

The condensed consolidated interim financial information comprises the condensed consolidated balance sheet as at 31 August 2020, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, and the condensed consolidated statement of cash flows for six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The condensed consolidated interim financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest 0.1 million (“RMB0.1 million”) except when otherwise indicated.

The condensed consolidated interim financial information for the six months ended 31 August 2020 is unaudited and has been reviewed by the audit committee and external auditor of the Company. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 27 October 2020.

### 1.2 SIGNIFICANT EVENT

The Novel Coronavirus (“COVID-19”) pandemic has continued to evolve around the globe during the first six months of the financial year and the Group’s business operations have inevitably been affected to some extent during the period.

In preparing the interim financial information, the Group has taken into the account the risks caused by COVID-19 on impairment of the Group’s financial and non-financial assets when assessing assets impairment including trade receivables, inventories and right-of-use assets. Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there are no other matters that would result in a significant adverse impact on the Group’s results and financial position as at the reporting date as a result of the COVID-19. Given the extent and duration of the COVID-19 pandemic remain uncertain, management will pay attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.



## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This condensed consolidated interim financial information for the six months ended 31 August 2020 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and should be read in conjunction with the annual consolidated financial statements for the year ended 29 February 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 29 February 2020, except as mentioned below.

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

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to IFRS16 set out below, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

The Group has early adopted Amendment to IFRS 16 - COVID-19-Related Rent Concessions retrospectively from 1 March 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling RMB102.9 million have been accounted for as negative variable lease payments and recognised in selling and distribution expenses in the condensed consolidated statement of profit or loss for the six months ended 31 August 2020, with a corresponding adjustment to the lease liabilities. There is also no material impact on the Group’s opening balance of equity at 1 March 2020.

### (b) 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 1 March 2020 and have not been early adopted by the Group:

IFRS 17	Insurance contracts <sup>(1)</sup>
Amendments to IFRS 3, IAS 16 and IAS 37	Narrow-scope amendments <sup>(2)</sup>
Amendments to annual improvements project	Annual improvements to IFRSs 2018 - 2020 <sup>(2)</sup>
Amendments to IAS 1	Classification of liabilities as current or non-current <sup>(3)</sup>
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint venture <sup>(4)</sup>

(1) Effective for the Group for annual period beginning on 1 March 2021.

(2) Effective for the Group for annual period beginning on 1 March 2022.

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

(4) Effective date to be determined.

## 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

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

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.

### (c) Tax

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

## 3 SEGMENT INFORMATION

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

CODM has been identified as the executive director and senior management of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the CODM. The CODM assesses the performance of the Group's business activities as a whole on a regular basis and the directors of the Company consider that the Group has only one reportable segment. Accordingly, no segment information is presented.

All of the Group's revenues are derived from external customers located in the PRC.

As at 31 August 2020 and 29 February 2020, substantially all of the non-current assets of the Group were located in the PRC.

## 4 REVENUE

	Six months ended 31 August	
	2020	2019
	RMB million	RMB million
Sale of goods	15,618.9	16,818.3
Concessionaire fee income	111.4	139.3
Others	39.2	-
	<u>15,769.5</u>	<u>16,957.6</u>

## 5 OTHER INCOME

	Six months ended 31 August	
	2020	2019
	RMB million	RMB million
Government incentives (note)	177.8	122.7
Others	3.3	9.1
	<u>181.1</u>	<u>131.8</u>

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

## 6 EXPENSES BY NATURE

	Six months ended 31 August	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Cost of inventories recognized as expenses included in		
cost of sales	9,204.0	9,547.9
Staff costs	1,454.6	1,622.6
Lease expenses (mainly including concessionaire fee expenses)	1,156.4	1,626.0
Depreciation on right-of-use assets	897.0	779.1
Depreciation on property, plant and equipment	340.4	354.9
Amortization of intangible assets	16.0	27.0
Write-off of intangible assets	2.0	-
Write-off of property, plant and equipment	2.5	5.9
Loss on disposal of property, plant and equipment	1.3	2.6
Impairment on right-of-use assets (included in		
selling and distribution expenses)	14.9	-
Impairment of trade receivables	24.3	-
Other tax expenses	68.8	85.4
Listing expenses	-	50.7
Others	859.6	895.1
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses,		
general and administrative expenses and impairment of		
trade receivables	14,041.8	14,997.2
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## 7 FINANCE COSTS, NET

	Six months ended 31 August	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Interest income from bank deposits	83.8	6.5
	<hr/>	<hr/>
Finance income	83.8	6.5
	<hr/>	<hr/>
Interest expense on bank borrowings	(35.4)	(23.1)
Interest expense on lease liabilities	(103.1)	(95.1)
	<hr/>	<hr/>
Finance costs	(138.5)	(118.2)
	<hr/> <hr/>	<hr/> <hr/>
Finance costs, net	(54.7)	(111.7)
	<hr/> <hr/>	<hr/> <hr/>

## 8 INCOME TAX EXPENSE

	Six months ended 31 August	
	2020	2019
	<i>RMB million</i>	<i>RMB million</i>
Current income tax - PRC corporate income tax		
- Current period	<b>460.4</b>	543.3
- Under-provision in prior years	<b>4.5</b>	0.9
- Withholding taxes	<b>1.6</b>	85.9
Deferred income taxes	<b>78.5</b>	(120.5)
	<b>545.0</b>	509.6

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% (six months ended 31 August 2019: 16.5%). No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

During the period, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 31 August 2019: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 5% to 15% and other preferential tax treatments (six months ended 31 August 2019: 15% to 20%).

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.

## 9 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

		Six months ended 31 August	
		2020	2019
Profit for the period attributable to equity holders of the Company	<i>RMB million</i>	<b>1,309.1</b>	1,470.9
Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>note</i> )	<i>thousand of shares</i>	<b>6,201,222</b>	5,271,038
Basic earnings per share	<i>RMB cents</i>	<b>21.11</b>	27.91

*Note:* The weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended 31 August 2019 has been retrospectively adjusted for the effect of the capitalization issue which took place on 10 October 2019.

### (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 31 August 2020 and 31 August 2019.

## 10 DIVIDENDS

- (a) At a meeting held on 27 October 2020, the directors declared an interim dividend of RMB12.00 cents or equivalent to HK\$13.73 cents per ordinary share (totaling RMB744.1 million) and a special dividend of RMB40.00 cents or equivalent to HK\$45.78 cents per ordinary share (totaling RMB2,480.5 million) for the year ending 28 February 2021. The interim dividend and the special dividend declared after the end of the reporting period are not reflected as dividend payable in the interim financial information.
- (b) At a meeting held on 25 May 2020, the directors recommended a final dividend of RMB7.00 cents or equivalent to HK\$7.51 cents per ordinary share (totaling RMB434.1 million) for the year ended 29 February 2020, which was paid during the period.
- (c) During the year ended 28 February 2019, the Company declared a dividend of RMB3,500.0 million per share, totaling RMB3,500.0 million. As at 29 February 2020, the dividend remained payable amounting to RMB1,635.3 million.

## 11 TRADE RECEIVABLES

	As at 31 August 2020 <i>RMB million</i>	As at 29 February 2020 <i>RMB million</i>
Trade receivables	1,737.4	1,539.5
Loss allowance	(77.1)	(52.8)
	<u>1,660.3</u>	<u>1,486.7</u>

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 31 August 2020, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 August 2020 <i>RMB million</i>	As at 29 February 2020 <i>RMB million</i>
0 to 30 days	1,616.5	1,209.8
31 to 60 days	23.7	191.9
61 to 90 days	2.9	26.7
Over 90 days	94.3	111.1
	<u>1,737.4</u>	<u>1,539.5</u>
Loss allowance	(77.1)	(52.8)
	<u>1,660.3</u>	<u>1,486.7</u>

The carrying amounts of trade receivables approximate their fair values and are denominated in RMB.

## 12 TRADE PAYABLES

The normal credit period granted by suppliers generally ranges from 0 to 60 days. As at 31 August 2020, the aging analysis of trade payables, based on invoice date, is as follows:

	As at 31 August 2020 <i>RMB million</i>	As at 29 February 2020 <i>RMB million</i>
0 to 30 days	1,093.2	1,072.5
31 to 60 days	1.7	32.0
Over 60 days	2.1	1.0
	<u>1,097.0</u>	<u>1,105.5</u>

The carrying amounts of trade payables approximate their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS MODEL AND OPERATING ENVIRONMENT

In the First Half of the Financial Year ending 28 February 2021, the outbreak of Novel Coronavirus Disease (COVID-19) (“the Pandemic”) has brought forth the greatest challenge and most profound impact on the China and global economies in recent years. In light of the Pandemic, the global unemployment rate has remained high and economic activities have been hindered in various degrees. Stakeholders across China have worked in a concerted effort to combat the Pandemic with a targeted and scientific approach. The prevention and control work has yielded early results, with recovery of domestic demand amid nation-wide resumption of work and social production. China's Gross Domestic Product (GDP) fell 1.6% year-on-year in the first half of 2020, with a growth of 3.2% in the second quarter. Total retail sales of consumer goods rose 0.5% in August, representing the first month of positive growth year-to-date. Despite recovery of domestic demand driven by China’s “Internal Circulation”, the potentially resurgent and ever-changing nature of COVID-19 requires enterprises to develop strong capability to nimbly and swiftly respond to changing market conditions on an ongoing basis. This means that the Company has to be well-prepared for uncertain market conditions in the long term. The evolving consumption occasions and changing consumer preferences amid the Pandemic have given retailers a unique opportunity to think outside of the traditional realms of their ongoing operations and innovate on cross-occasion settings by integrating and extending multiple retail formats seamlessly, thereby cultivating long-term “Digital Immunity” to Pandemic disruptions.

For Topsports, the outbreak of the Pandemic has significantly affected the operational and financial performance of the Company for the First Half of the Financial Year ending 28 February 2021, which has been a stress across capabilities in operating adaptability, decision-making and execution. Nevertheless, most challenges also bring about opportunities. The crises of the marketplace often give rise to opportunities for growth against the adversity. During the six months ended 31 August 2020 (the First Half of the Financial Year ending 28 February 2021), Topsports continued to expand our consumer-centric, omnipresent and multi-occasional sportswear retail and service platform by focusing on our mission of “breaking boundaries through sports and inspire limitless possibilities”. To adapt to swiftly changing consumption occasions, we have leveraged our existing operating advantages and well-established consumer engagement capabilities to capitalize on the opportunities under adversity. Capitalizing on our broad membership base and social communities-based consumer engagement, precise and efficient store-level merchandising management capabilities, as well as a rich-set of touch points with consumers across digital settings, we were able to consistently provide rich product offerings across brands and categories among across channels, diversified membership services and interactive content marketing to cater to consumer needs. Topsports provides our consumers with convenient and targeted services throughout each of our interactions.

The dynamic trajectory of the Pandemic has made COVID-19 prevention and containment an ongoing routine. At the same time, the public has become even more focused on health and daily exercise as a result. Although offline sports events have been suspended to various degrees, the state and local governments have supported the implementation of supporting policies for the sports industry, such as integrating sports into youth curriculum and promoting balanced youth development on both academics and sports activities, in context of the nation-wide resumption of work and production. As we look ahead, we remain confident in the long-term development of China’s sports industry with the ambition to keep on delivering remarkable products and shopping experience to Chinese sports consumers jointly with our brand partners. To do so, we will rely on our assets, the in-depth insights of Chinese consumers, together with our existing extensive directly-operated retail network and efficient operation and execution ability. We are optimistic that we will continue to explore and seize new opportunities in a changing market environment to pursue breakthrough and development at scale.

## BUSINESS REVIEW

As the enterprise with the most extensive directly-operated store network coverage in China's sportswear industry, we have observed the profound impact the Pandemic has had on consumer behaviors, making us even more aware of the necessity of seamlessly connecting with consumers through our rich set of touch points across various settings. With the focus to extend our consumer engagement from the physical to the virtual realm, we intend to manage each of our consumer touch point as an individual but closely connected node of interactivity, in order to offer higher quality and more customized service experience for Chinese sports enthusiasts and consumers at large.

During the period, our revenue, profitability and number of stores have all been adversely impacted as a result of the challenges presented by the Pandemic to the China economy and the overall retail industry. Nonetheless, the gross selling area of our physical stores and the number of enrolled members have maintained steady growth as we continuously expanded our physical store network with the strategy of "Optimized Location + Optimized Operations", as well as extend our seamless engagement with consumers through omnipresent and multi-occasional connections.

### 1. Enhance our Directly-operated Retail Network with "Optimized Location + Optimized Operations"

In light of the Pandemic, we remain focused on optimized selection of store locations and store upgrade for our direct-operated retail store network, accelerating the closure of low-productivity and loss-making stores. We directly operated 8,156 stores in nearly 300 cities across the country as of 31 August 2020.

In terms of the number of directly-operated retail stores, we recorded a net decrease of 239 stores with flattish gross selling area growth as of 31 August 2020 as compared with 29 February 2020, and a net decrease of 209 stores with gross selling area increasing by 5.2% as compared with 31 August 2019. The percentage of stores with average selling area over 150 sq.m continued to grow, based on our "Optimized Location + Optimized Operations". Among these, stores over 300 sq.m accounted for 8.0%, representing an increase of 0.7 percentage point as compared with 29 February 2020, and an increase of 1.5 percentage points as compared with 31 August 2019.

While prudently opening new stores, we have proactively upgraded the stores with proven higher sales potential to create a higher quality interactive shopping experience, so as to enhance our retail network advantages and further improve efficiency.

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

	2018		As of 28/29 February 2019		2020		As of 31 August 2020	
		%		%		%		%
<i>Store size:</i>								
150 sq.m or smaller	6,268	75.5%	5,947	71.3%	5,732	68.3%	5,478	67.1%
Between 150 and 300 sq.m	1,779	21.4%	1,978	23.7%	2,051	24.4%	2,029	24.9%
Larger than 300 sq.m	255	3.1%	418	5.0%	612	7.3%	649	8.0%
Total	8,302	100.0%	8,343	100.0%	8,395	100.0%	8,156	100.0%



## 2. Continue to Scale Membership Program

During the First Half of the Financial Year ending 28 February 2021, we continued to offer services, activities and benefits to members through multiple platforms. Our cumulative number of enrolled members and percentage of the total in-store retail sales value (inclusive of VAT) contributed by members have steadily increased even against the backdrop of the Pandemic's impact on the overall retail industry. As of 31 August 2020, our cumulative number of enrolled members reached 33.1 million. During the quarters as of 31 May 2020 and 31 August 2020, 96.7% and 97.3% of the total in-store retail sales (inclusive of VAT) were contributed by our members, respectively for each quarter.

	30 November 2019	As of 29 February 2020	31 May 2020	31 August 2020
Cumulative number of our enrolled members	24.7	27.2	30.2	33.1
Percentage of total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	86.2%	91.0%	96.7%	97.3%

*Unit: Million*

In order to offer our membership services and functions in full, in addition to the existing TOPSPORTS Wechat Official Corporate Account, we launched the TOPSPORTS app on 14 February 2020. The app integrates membership activities, points redemption, online purchase, limited sales and other functions all in one. As of 31 August 2020, the number of users has exceeded 1.1 million.

In addition to the routinely and locally-tailored member activities, we launched the 1st nation-wide annual member event named "Member Festival Week" at the end of August. In light of the current Pandemic, combining physical and virtual venues, we continued to improve Topsports' brand equity for loyal members and created IP of "Topsports Membership Week". With this event, we have acquired more in-depth and profound insights of our members' demand and preferences. Meanwhile, we took various measures to reactivate inactive members and enhance member stickiness with the help of targeted marketing campaigns.

### **3. Accelerate the Pace of Digital Transformation to Empower our Business with “Precision + Efficiency”**

In the First Half of the Financial Year ending 28 February 2021, we have continued to accelerate our pace of digital transformation, which enabled us to interact with consumers more intimately, equip our store-level operation with digital capability and progress to advance our operations precisely and efficiently with big-data analysis and sophisticated system. We have consistently considered our extensive retail store network and thousands of employees, as well as the broad consumer base, as our irreplaceable core assets. While utilizing technology to empower our employees, and optimizing big-data analysis to improve operation efficiency, we have continued to extend the boundary of interactions with consumers across settings to enrich our insights by leveraging on the application of new technology and innovative tools and methods.

With more than 20-years of operational history in China’s sportswear retail sector, we have accumulated broad-based data and insights, along with rich experience and unrivalled industry know-how. By emphasizing on the implementation of technology-enabled initiatives, we persistently optimized operation with precision and efficiency. For example, mobile digital toolkits empower our front-line staffs by reducing their operational burden and enabling them to adjust operations and make decisions in real time; meanwhile, our store-level smart technologies allow us to systematically collect and analyze data on the complete consumer journey; digitalized procurement and merchandise management systems assist in automatically creating base line purchase orders that are tailored to each store, the use of the technological tool which we have extended to more of our brands as well as downstream retailers.

Throughout the period, we continued to expand our connections with consumers across multiple digital occasions. With the operation of store-level social communities, we initiated more themed topics and content as well as new live streaming format. The role of our sales staff has expanded beyond just a shopping assistant across physical and digital realm, but also act as an expert of content topics. The outbreak of the COVID-19 in early 2020 has led to a rapid shift in the major consumption settings of sportswear products from physical to virtual realm. In response, the Company accelerated the flexible application of various digital tools that have been well-established ahead of the Pandemic. We steadily improved the coverage of store-level mini-programs and the application of mobile payment, and the connected inventory sharing function further assisted our stores in stock management with technological tools, so as to ensure product supply and reduce merchandising risks.

We believe that the power of technology can create structure in unstructured data, cultivate systems using existing data structures, and enhance data-driven technology systems into more intelligent and sophisticated smart infrastructure. Digital transformation will ultimately empower our business management, operation, and frontline staff to engage, serve and cater to the demand of our broad consumer base more precisely and efficiently.

## **OUTLOOK**

Our growth measures mainly include:

- Accelerate digital transformation with a focus on “Precision + Efficiency”
- Continuously expand store networks with “Optimized Location + Optimized Operations”
- Expand our seamless engagement with consumers through omnipresent, multi-occasional connections
- Expand our brand offerings and deepen cooperation with brand partners
- Further enrich our customer-centric platform offerings

## FINANCIAL REVIEW

During the six months ended 31 August 2020, the Group recorded revenue of RMB15,769.5 million, a decrease of 7.0% compared with the same period of last year. The Group recorded operating profit of RMB1,908.8 million, a decrease of 8.8% compared with the same period of last year. The profit attributable to the Company's equity holders during the Period under Review amounted to RMB1,309.1 million, a decrease of 11.0% compared with the same period of last year.

During the six months ended 31 August 2020, the Group recorded adjusted operating profit of RMB1,911.7 million, a decrease of 11.5% compared with the same period of last year. The adjusted operating profit is adjusted by adding back the effect of the amortization of intangible assets arising from business combination at RMB2.9 million (six months ended 31 August 2019: RMB17.8 million) and additional listing expenses at RMB50.7 million in the same period of last year.

During the six months ended 31 August 2020, the Group recorded adjusted profit attributable to the Company's equity holders of RMB1,311.3 million, a decrease of 14.6% compared with the same period of last year. The adjusted profit attributable to the Company's equity holders is adjusted by adding back the effect of the amortization of intangible assets arising from business combination, net of deferred tax at RMB2.2 million (six months ended 31 August 2019: RMB13.4 million) and additional listing expenses at RMB50.7 million in the same period of last year.

## REVENUE

The Group's revenue decreased by 7.0%, from RMB16,957.6 million for the six months ended 31 August 2019 to RMB15,769.5 million for the six months ended 31 August 2020. The decrease was mainly due to the impact of the outbreak of novel coronavirus (COVID-19) ("the Pandemic") to retail sales. The following table sets forth a breakdown of our revenue from sale of goods by brand categories, concessionaire fee income and e-Sports income for the periods indicated:

	Six months ended 31 August 2020		2019		Decline rate
	Revenue	% of total	Revenue	% of total	
Principal brands*	13,857.0	87.9%	14,895.6	87.9%	(7.0%)
Other brands*	1,761.9	11.2%	1,922.7	11.3%	(8.4%)
Concessionaire fee income	111.4	0.7%	139.3	0.8%	(20.0%)
e-Sports income	39.2	0.2%	-	-	N/A
Total	15,769.5	100.0%	16,957.6	100.0%	(7.0%)

Unit: RMB million

\* Principal brands include Nike and Adidas. Other brands include PUMA, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), Reebok, ASICS, Onitsuka Tiger and Skechers. Principal brands and other brands are classified according to the Group's relative revenue.

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, concessionaire fee income and e-Sports income for the periods indicated:

	Six months ended 31 August 2020		2019		Growth/ (Decline) rate
	Revenue	% of total	Revenue	% of total	
Retail operations	12,997.0	82.5%	14,684.5	86.6%	(11.5%)
Wholesales operations	2,621.9	16.6%	2,133.8	12.6%	22.9%
Concessionaire fee income	111.4	0.7%	139.3	0.8%	(20.0%)
e-Sports income	39.2	0.2%	-	-	N/A
Total	15,769.5	100.0%	16,957.6	100.0%	(7.0%)

Unit: RMB million

## PROFITABILITY

The Group's operating profit decreased by 8.8% to RMB1,908.8 million for the six months ended 31 August 2020. The profit attributable to the Company's equity holders decreased by 11.0% to RMB1,309.1 million for the six months ended 31 August 2020.

	Six months ended 31 August		
	2020	2019	Decline rate
Revenue	<b>15,769.5</b>	16,957.6	(7.0%)
Cost of sales	<b>(9,204.0)</b>	(9,547.9)	(3.6%)
Gross Profit	<b><u>6,565.5</u></b>	<u>7,409.7</u>	(11.4%)
Gross profit margin	<b><u>41.6%</u></b>	<u>43.7%</u>	

*Unit: RMB million*

Cost of sales decreased by 3.6% from RMB9,547.9 million for the six months ended 31 August 2019 to RMB9,204.0 million for the six months ended 31 August 2020. Gross profit of the Group decreased by 11.4% to RMB6,565.5 million for the six months ended 31 August 2020 from RMB7,409.7 million for the six months ended 31 August 2019.

During the Period under Review, the gross profit margin of the Group was 41.6%, decreased by 2.1 percentage points, from 43.7% for the six months ended 31 August 2019. Decrease in gross profit margin primarily resulted in more discount offers providing to our customers.

Selling and distribution expenses for the six months ended 31 August 2020 were RMB4,207.4 million (six months ended 31 August 2019: RMB4,727.8 million), accounting for 26.7% of our revenue (six months ended 31 August 2019: 27.9%). Our selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to our stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistic expenses and online service fees. With the impact of the Pandemic, the decrease in selling and distribution expenses is mainly resulting in a decrease in concessionaire and lease expenses, sales personnel salaries and commissions and other store operation expenses compared to same period of last year.

General and administrative expenses for the six months ended 31 August 2020 were RMB606.1 million (six months ended 31 August 2019: RMB721.5 million), accounting for 3.8% of our revenue (six months ended 31 August 2019: 4.3%). Our general and administrative expenses primarily include lease expenses in relation to our offices, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Decrease in general and administrative expenses primarily due to (i) the absence of last year listing expenses while such expenses of RMB50.7 million recorded for the same period of last year; (ii) the intangible assets arising from business combination was RMB2.9 million while such expense of RMB17.8 million recorded for the same period of last year; and (iii) decrease in advertising, promotion and other expenses.

## **PROFITABILITY (Continued)**

Finance income increased from RMB6.5 million for the six months ended 31 August 2019 to RMB83.8 million for the six months ended 31 August 2020. It was mainly due to increase in bank deposits during the Period under Review.

Finance costs increased from RMB118.2 million for the six months ended 31 August 2019 to RMB138.5 million for the six months ended 31 August 2020, 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.

Income tax expense for the six months ended 31 August 2020 amounted to RMB545.0 million (six months ended 31 August 2019: RMB509.6 million). The effective income tax rate increased by 3.7 percentage points to 29.4% for the six months ended 31 August 2020 from 25.7% for the six months ended 31 August 2019, primarily due to additional withholding tax provided on the profits retained by our subsidiaries in the People's Republic of China (the "PRC"). The statutory income tax rate for the Group in Mainland China is generally 25%.

## **OTHER INCOME**

Other income for the six months ended 31 August 2020 amounted to RMB181.1 million (six months ended 31 August 2019: RMB131.8 million) mainly consists of government incentives.

## **CAPITAL EXPENDITURE**

The Group's capital expenditures primarily comprised of expenditures for property, plant and equipment and intangible assets. During the six months ended 31 August 2020, the total capital expenditure was RMB175.5 million (six months ended 31 August 2019: RMB261.6 million).

## NON-IFRS MEASURES

Our adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with IFRS, and they are considered as non-IFRS financial measures. We believe that this information 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.

The following table sets forth the reconciliations of our adjusted operating profit and adjusted profit attributable to the Company's equity holders for the periods indicated:

	<b>Six months ended 31 August</b>	
	<b>2020</b>	<b>2019</b>
Operating profit	<b>1,908.8</b>	2,092.2
Adding back:		
Listing expenses <sup>(1)</sup>	-	50.7
Amortization of intangible assets arising from business combination <sup>(2)</sup>	<b>2.9</b>	17.8
<b>Non-IFRS Measure – Adjusted operating profit</b>	<b><u>1,911.7</u></b>	<b><u>2,160.7</u></b>
Profit attributable to the Company's equity holders	<b>1,309.1</b>	1,470.9
Adding back:		
Listing expenses <sup>(1)</sup>	-	50.7
Amortization of intangible assets arising from business combination, net of deferred tax <sup>(2)</sup>	<b>2.2</b>	13.4
<b>Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders</b>	<b><u>1,311.3</u></b>	<b><u>1,535.0</u></b>
<i>Unit: RMB million</i>		
Non-IFRS Measure – Adjusted operating profit margin	<b>12.1%</b>	12.7%
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	<b>8.3%</b>	9.1%

### Notes:

- (1) We did not incur any listing expenses for the six months ended 31 August 2020 which were recognized as expenses (six months ended 31 August 2019: RMB50.7 million).
- (2) 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 were fully amortized in March 2020.

## BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the six months ended 31 August 2020 decreased by 24.4% to RMB21.11 cents from RMB27.91 cents for the same period of last year.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB1,309.1 million for the six months ended 31 August 2020 (six months ended 31 August 2019: RMB1,470.9 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2019: 5,271,038,024 shares). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 31 August 2019 has been retrospectively adjusted for the effect of the Capitalization Issue. 930,184,000 new shares issued pursuant to the Global offering of the Company was only accounted for in the calculation of the basic and diluted earnings per share from 10 October 2019.

Had these new shares been issued throughout the periods since 1 March 2019, our adjusted earnings per share, for illustrative purpose, would be as follows:

		<b>Six months ended 31 August</b>	
		<b>2020</b>	<b>2019</b>
Profit for the period attributable to the Company's equity holders	<i>RMB million</i>	<b>1,309.1</b>	1,470.9
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<i>thousand of shares</i>	<b>6,201,222</b>	5,271,038
As if 930,184,000 new shares have been issued throughout the period	<i>thousand of shares</i>	-	930,184
	<i>thousand of shares</i>	<b>6,201,222</b>	6,201,222
Adjusted basic and diluted earnings per share, for illustrative purpose	<i>RMB cents</i>	<b>21.11</b>	23.72

## LIQUIDITY AND FINANCIAL RESOURCES

During the Period under Review, net cash generated from operations increased by RMB183.0 million to RMB2,673.8 million for the six months ended 31 August 2020 from RMB2,490.8 million for the six months ended 31 August 2019.

Net cash generated from investing activities for the six months ended 31 August 2020 was RMB393.5 million (six months ended 31 August 2019: net cash used in RMB256.4 million). During the Period under Review, the Group invested RMB238.5 million on payments for purchases of property, plant and equipment and intangible assets, RMB0.5 million on payments for acquisition of a business and placement of long-term bank deposits and other bank deposits of RMB1,460.0 million, partly offset by proceeds from disposals of property, plant and equipment of RMB4.2 million, withdrawal of pledged term deposits under the cross-border cash pooling arrangement of RMB2,031.2 million and interest received of RMB57.1 million.

During the Period under Review, net cash used in financing activities was RMB2,932.9 million (six months ended 31 August 2019: RMB3,056.0 million), mainly attributable to the repayment of bank borrowings of RMB400.0 million, net repayment from drawings as borrowings under the cross-border cash pooling arrangement of RMB540.0 million, payments of dividends of RMB1,635.3 million to then equity holders of the Group, payments of the 2019/20 final dividend of RMB434.1 million and payment for lease liabilities (including interest) of RMB868.8 million by the Group during the period, partly offset by proceeds from bank borrowings of RMB1,000.0 million.



## **LIQUIDITY AND FINANCIAL RESOURCES (Continued)**

As at 31 August 2020, the Group held bank balances and cash totaling RMB2,265.8 million, after netting off the short-term borrowings of RMB2,460.0 million, it was in a net debt position of RMB194.2 million. As at 29 February 2020, the Group held bank balances and cash totaling RMB2,823.9 million, after netting off the short-term borrowings of RMB2,400.0 million, it was in a net cash position of RMB423.9 million.

## **GEARING RATIO**

As at 31 August 2020, the gearing ratio (equals net debt divided by total capital (total equity plus net debt)) of the Group has a net cash position (29 February 2020: net cash position) and the aggregate balances of long-term bank deposits, pledged term deposits and other bank deposits and bank balances and cash exceeded the total balance of borrowings by RMB2,829.3 million (29 February 2020: RMB4,018.6 million).

## **PLEDGE OF ASSETS**

As at 31 August 2020, term deposits of RMB1,563.5 million were pledged for short-term borrowings of RMB1,460.0 million drawn under a cross-border cash pooling arrangement operating among certain subsidiaries within the Group.

## **HUMAN RESOURCES**

As at 31 August 2020, the Group had a total of 38,005 employees (29 February 2020: 35,773 employees). During the six months ended 31 August 2020, total staff cost was RMB1,454.6 million (six months ended 31 August 2019: RMB1,622.6 million), accounting for 9.2% (six months ended 31 August 2019: 9.6%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

## GENERAL INFORMATION

### INTERIM DIVIDEND AND SPECIAL DIVIDEND

The Board has resolved to declare an interim dividend of RMB12.00 cents per ordinary share (the “**Interim Dividend**”), totaling RMB744.1 million for the six months ended 31 August 2020.

For the benefit of the shareholders of the Company, and having considered the financial position of the Company, the Board further resolved to declare a special dividend of RMB40.00 cents per ordinary share (the “**Special Dividend**”), together with the Interim Dividend, the “**Dividends**”), totaling RMB2,480.5 million.

The Dividends will be paid on or about Thursday, 24 December 2020 to members whose names appear on the register of members of the Company on Friday, 11 December 2020.

The actual exchange rate for the purpose of Dividends payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK\$1.1445) as quoted by the Hong Kong Association of Banks on Tuesday, 27 October 2020, being the date on which the Dividends are declared by the Board. Accordingly, the amount of the Interim Dividend and Special Dividend are HK\$13.73 cents and HK\$45.78 cents per ordinary share, respectively.

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

### CLOSURE OF REGISTER OF MEMBERS

The Dividends will be paid on or about Thursday, 24 December 2020 to the shareholders whose names appear on the register of members of the Company on Friday, 11 December 2020. The register of members of the Company will be closed from Wednesday, 9 December 2020 to Friday, 11 December 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned Dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 8 December 2020.

## **CORPORATE GOVERNANCE**

The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules (the "**CG Code**"), and the Company has adopted the CG Code as its own corporate governance code for the six months ended 31 August 2020.

The Board believes that the Company has complied with all the code provisions as set out in the CG Code, except for the Code Provision A.5.1 of the CG Code.

### *Code Provision A.5.1*

Under the code provision A.5.1 of the Code, the nomination committee shall be chaired by the chairman of the Board or an independent non-executive director. Currently, Mr. YU Wu, an executive director of the Company, serves as the chairman of the Nomination Committee. For the six months ended 31 August 2020, given Mr. YU is the sole executive director of the Company who is responsible for the day-to-day management and operations of the Group and his extensive expertise and insight to sportswear industry, the Board considered that Mr. YU is the suitable candidate for the chairmanship of the Nomination Committee. Besides, in consideration of the size of the Group, the appointment and removal of directors were determined collectively by the Board. The Board is empowered under the articles of association of the Company to appoint any person as a director either to fill a casual vacancy on or as an addition to the Board. The Board will select and recommend candidates for directorship and senior management having regard to the balance of skills, experience and qualifications appropriate to the Group's business.

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code. The Directors are aware that the Group is expected to comply with the Code. Any deviation from the Code should be carefully considered and disclosed in the interim and annual reports. Save as disclosed above, the Company will continue to comply with the Code to protect the best interests of the shareholders of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' securities transactions. After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code for the period from 1 March to 31 August 2020.

## **AUDIT COMMITTEE**

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.

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

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 31 August 2020.

## **REMUNERATION COMMITTEE**

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.

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

## **NOMINATION COMMITTEE**

The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as the directors of 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.

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

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the Period under Review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **SUFFICIENCY OF PUBLIC FLOAT**

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

## USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds (the “**Net Proceeds**”) from the initial public offering of the shares of the Company in October 2019, after deducting the underwriting fees and commissions and other related expenses, of HK\$7,689.0 million are and will be utilized as stated in the Company’s Prospectus.

<b>Intended use of Net Proceeds as stated in the Prospectus</b>	<b>Net Proceeds HK\$ million</b>	<b>Up to 31 August 2020  Utilized Amount HK\$ million</b>	<b>As at 31 August 2020  Unutilized Amount HK\$ million</b>
Investing in technology initiatives to accelerate the digital transformation of the business	800.0	284.0	516.0 <sup>(1)</sup>
Repaying outstanding amounts due to Belle International and fellow subsidiaries	3,717.4	3,717.4	-
Repaying short-term bank borrowings	2,210.5	2,210.5	-
Working capital and other general corporate purposes	538.2	538.2	-
Settlement of dividend payable <sup>(2)</sup>	422.9	422.9	-
<b>Total</b>	<b>7,689.0</b>	<b>7,173.0</b>	<b>516.0</b>

*Notes:*

- (1) The balance of unutilized amount on Investing in technology initiatives to accelerate the digital transformation of the business is expected to be fully utilized by end of February 2025.
- (2) The balance of settlement of dividend payable was fully utilized during the period ended 31 August 2020.

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

Hong Kong, 27 October 2020

*As at the date of this announcement, the Board of directors of the Company comprises Mr. YU Wu and Mr. LEUNG Kam Kwan as executive directors and Mr. SHENG Baijiao, Mr. SHENG Fang, Ms. YUNG Josephine Yuen Ching and Ms. HU Xiaoling as non-executive directors, Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor as independent non-executive directors.*

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