

TOPSPORTS 滔搏

2020/21
Interim Report



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

CONTENTS

| | |
|---|----|
| Corporate Information | 2 |
| Financial Highlights | 3 |
| Statement from CEO | 5 |
| Management Discussion and Analysis | 10 |
| Report on Review of Interim Financial Information | 17 |
| Condensed Consolidated Statement of Profit or Loss | 18 |
| Condensed Consolidated Statement of Comprehensive Income | 19 |
| Condensed Consolidated Balance Sheet | 20 |
| Condensed Consolidated Statement of Changes in Equity | 22 |
| Condensed Consolidated Statement of Cash Flows | 23 |
| Notes to the Condensed Consolidated Interim Financial Information | 24 |
| General Information | 40 |



CORPORATE INFORMATION

Board of Directors

Chairman

Mr. SHENG Baijiao
(*Non-executive Director*)

Executive Director

Mr. YU Wu
(*Chief Executive Officer*)
Mr. LEUNG Kam Kwan

Non-executive Directors

Mr. SHENG Fang
Ms. YUNG Josephine Yuen Ching
Ms. HU Xiaoling

Independent Non-executive Directors

Mr. LAM Yiu Kin
Mr. HUA Bin
Mr. HUANG Victor

Authorized Representatives

Mr. LEUNG Kam Kwan
Ms. YUNG Josephine Yuen Ching

Audit Committee

Mr. LAM Yiu Kin (*Chairman*)
Mr. HUA Bin
Mr. HUANG Victor

Remuneration Committee

Mr. HUA Bin (*Chairman*)
Mr. YU Wu
Mr. LAM Yiu Kin

Nomination Committee

Mr. YU Wu (*Chairman*)
Mr. HUANG Victor
Mr. LAM Yiu Kin

Company Secretary

Mr. LEUNG Kam Kwan, *FCPA*

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

M1, 6/F, The Edge
30-34 Kwai Wing Road
Kwai Chung
N.T., Hong Kong

Principal Place of Business in the PRC

22/F, Belle International Plaza
No. 928 Liuzhou Road
Xuhui District
Shanghai
PRC

Stock Code

6110

Website

www.topsports.com.cn

Auditor

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity
Auditor
22/F Prince's Building
Central, Hong Kong

Legal Advisor

Cleary Gottlieb Steen & Hamilton
(Hong Kong)
37th Floor, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

Compliance Advisor

Anglo Chinese Corporate Finance,
Limited
40/F Two Exchange Square
8 Connaught Place
Central, Hong Kong

Principal Share Registrar

Maples Fund Services (Cayman)
Limited
P.O. Box 1093
Boundary Hall, Cricket Square
Grand Cayman
KY1-1102
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Principal Bankers

Bank of Communications Co., Ltd.
China Merchants Bank Co., Ltd.

FINANCIAL HIGHLIGHTS

| | | Unaudited Six months ended 31 August | |
|--|-------------|---|----------|
| | | 2020 | 2019 |
| Revenue | RMB million | 15,769.5 | 16,957.6 |
| Gross profit | RMB million | 6,565.5 | 7,409.7 |
| Operating profit | RMB million | 1,908.8 | 2,092.2 |
| Profit attributable to the Company's equity holders | RMB million | 1,309.1 | 1,470.9 |
| Non-IFRS Measure – Adjusted operating profit ⁽¹⁾ | RMB million | 1,911.7 | 2,160.7 |
| Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders ⁽¹⁾ | RMB million | 1,311.3 | 1,535.0 |
| Gross profit margin | % | 41.6 | 43.7 |
| Operating profit margin | % | 12.1 | 12.3 |
| Profit margin attributable to the Company's equity holders | % | 8.3 | 8.7 |
| Non-IFRS Measure – Adjusted operating profit margin | % | 12.1 | 12.7 |
| Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders | % | 8.3 | 9.1 |
| Earnings per share – basic and diluted ⁽²⁾ | RMB cents | 21.11 | 27.91 |
| Adjusted earnings per share – basic and diluted, for illustrative purpose ⁽²⁾ | RMB cents | 21.11 | 23.72 |
| Interim dividend per share | RMB cents | 12.00 | 12.00 |
| Special dividend per share | RMB cents | 40.00 | N/A |
| Average trade receivables turnover period | days | 18.4 | 25.1 |
| Average trade payables turnover period | days | 22.0 | 12.8 |
| Average inventory turnover period | days | 132.4 | 122.7 |

| | | Unaudited As at 31 August 2020 | Audited As at 29 February 2020 |
|---------------|-------|--------------------------------------|--------------------------------------|
| Gearing ratio | % | Net cash | Net cash |
| Current ratio | times | 2.0 | 1.7 |



FINANCIAL HIGHLIGHTS

Notes:

- (1) Our adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with International Financial Reporting Standards ("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.

The above measurements have been consistently applied in this interim report where relevant.

STATEMENT FROM CEO

Dear Shareholders,

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.



STATEMENT FROM CEO

FINANCIAL RESULTS HIGHLIGHT

On behalf of the board of directors of the Company (“the Board”), I hereby report the results for the First Half of the Financial Year ending 28 February 2021 as follows:

During the First Half of the Financial Year ending 28 February 2021, under the impact of the Pandemic, our total revenue decreased by 7.0% to RMB15,769.5 million, our operating profit decreased by 8.8% to RMB1,908.8 million, and our adjusted operating profit decreased by 11.5%. The profit attributable to the Company’s equity holders was RMB1,309.1 million, decreasing 11.1% year-on-year, and the adjusted profit attributable to the Company’s equity holders decreased by 14.6%. Basic earnings per share was RMB21.11 cents, declined by 24.4% mainly because of the inclusion of new shares issued upon the Global Offering in October 2019. Adjusted earnings per share was RMB21.11 cents, decreasing by 11.0%, which accounted for the new shares issued upon the Global Offering as if they have been issued throughout the years presented.

The Board has resolved to declare an interim dividend of RMB12.00 cents per ordinary share and a special dividend of RMB40.00 cents per ordinary share for the Financial Year ending 28 February 2021.

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.

STATEMENT FROM CEO

BUSINESS REVIEW (continued)

1. Enhance our Directly-operated Retail Network with “Optimized Location + Optimized Operations” (continued)

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 | |
|--------------------------|--------------|---------------|---------------------------|---------------|--------------|---------------|----------------------|----------------------|
| | | % | | % | | % | | % |
| Store size: | | | | | | | | |
| 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 | <u>8,302</u> | <u>100.0%</u> | <u>8,343</u> | <u>100.0%</u> | <u>8,395</u> | <u>100.0%</u> | <u>8,156</u> | <u>100.0%</u> |

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.

| | As of | | | |
|---|------------------|------------------|-------------|----------------|
| | 30 November 2019 | 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.



STATEMENT FROM CEO

BUSINESS REVIEW (continued)

2. Continue to Scale Membership Program (continued)

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.

STATEMENT FROM CEO

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

APPRECIATION

Since our successful listing on the Hong Kong Stock Exchange on 10 October 2019, Topsports has continued to earn trust and support over the past year from our consumers, employees, brands as well as other partners, to whom I would like to express my sincere gratitude on behalf of the Company. As we take on more roles and responsibilities throughout our new journey, looking ahead, we will continue to forge ahead towards our goals. The management team and all of our employees stand ready to continually create long-term value for our consumers, shareholders, and all of our partners and stakeholders sustainably.

YU Wu

Chief Executive Officer & Executive Director

Hong Kong, 27 October 2020



MANAGEMENT DISCUSSION AND ANALYSIS

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 Disease (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 | | | | Decline rate |
|---------------------------|----------------------------|---------------|----------|------------|--------------|
| | 2020 | 2019 | Revenue | % of total | |
| | 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.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE (continued)

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 | | 2019 | | Growth/ (Decline) rate |
|---------------------------|----------------------------|---------------|-----------------|---------------|---------------------------|
| | 2020 | | Revenue | % of total | |
| | 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 | | Decline rate |
|---------------------|----------------------------|-----------|--------------|
| | 2020 | 2019 | |
| Revenue | 15,769.5 | 16,957.6 | (7.0%) |
| Cost of sales | (9,204.0) | (9,547.9) | (3.6%) |
| Gross Profit | 6,565.5 | 7,409.7 | (11.4%) |
| Gross profit margin | 41.6% | 43.7% | |

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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFITABILITY (continued)

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.

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).

MANAGEMENT DISCUSSION AND ANALYSIS

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:

| | Six months ended 31 August | |
|---|----------------------------|---------|
| | 2020 | 2019 |
| Operating profit | 1,908.8 | 2,092.2 |
| Adding back: | | |
| Listing expenses ⁽¹⁾ | – | 50.7 |
| Amortization of intangible assets arising from business combination ⁽²⁾ | 2.9 | 17.8 |
| Non-IFRS Measure – Adjusted operating profit | 1,911.7 | 2,160.7 |
| Profit attributable to the Company's equity holders | 1,309.1 | 1,470.9 |
| Adding back: | | |
| Listing expenses ⁽¹⁾ | – | 50.7 |
| Amortization of intangible assets arising from business combination, net of deferred tax ⁽²⁾ | 2.2 | 13.4 |
| Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders | 1,311.3 | 1,535.0 |

Unit: RMB million

| | | |
|--|--------------|-------|
| Non-IFRS Measure – Adjusted operating profit margin | 12.1% | 12.7% |
| Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders | 8.3% | 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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:

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES (continued)

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 payments 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.

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 (net debt (short-term borrowings less bank deposits, balances and cash) 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.

CONTINGENT LIABILITIES

As at 31 August 2020, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in this report, the Group did not hold any significant investments for the six months ended 31 August 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 August 2020, the Group did not have any plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 31 August 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

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.



MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group mainly operates in China with most of its 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 the Group's entities. The Group is exposed to foreign exchange risk from fluctuation of various currencies, primarily with respect to Hong Kong dollars mainly for its payments of dividends to shareholders.

The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against Hong Kong dollars and to mitigate the impact on exchange rate fluctuations. During the period under review, the Group did not enter into any forward foreign exchange contracts.

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 members 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.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 27 October 2020, the Board announced that due to other work commitments, Mr. Chow Kyan Mervyn has resigned as a non-executive Director and authorized representative of the Company under Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") with effect from 27 October 2020 (the "Resignation"). Following the Resignation, (i) Mr. Leung Kam Kwan ("Mr. Leung"), who has served as a company secretary of the Company since May 2019, has been appointed as an executive Director, and (ii) Ms. Yung Josephine Yuen Ching, who was appointed as a non-executive Director in June 2019, has been appointed as the authorized representative of the Company under Rule 3.05 of the Listing Rules with effect from 27 October 2020 (the "Appointments").

Subsequent to the Resignation and the Appointments, the Board comprises two executive Directors namely Mr. Yu Wu and Mr. Leung Kam Kwan, four non-executive Directors namely Mr. Sheng Baijiao, Mr. Sheng Fang, Ms. Yung Josephine Yuen Ching and Ms. Hu Xiaoling, and three independent non-executive Directors namely Mr. Lam Yiu Kin, Mr. Hua Bin and Mr. Huang Victor. Majority of the Board members and our executive Directors are Hong Kong residents and most of them are normally based in Hong Kong.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 39, which comprises the condensed consolidated balance sheet of Topsports International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 August 2020 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF 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”. A review of interim financial information 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 October 2020



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 August 2020

| | Note | Unaudited | |
|--|------|---------------------------------|-------------|
| | | Six months ended 31 August 2020 | 2019 |
| | | RMB million | RMB million |
| Revenue | 6 | 15,769.5 | 16,957.6 |
| Cost of sales | 8 | (9,204.0) | (9,547.9) |
| Gross profit | | 6,565.5 | 7,409.7 |
| Selling and distribution expenses | 8 | (4,207.4) | (4,727.8) |
| General and administrative expenses | 8 | (606.1) | (721.5) |
| Impairment of trade receivables | 8,16 | (24.3) | – |
| Other income | 7 | 181.1 | 131.8 |
| Operating profit | | 1,908.8 | 2,092.2 |
| Finance income | | 83.8 | 6.5 |
| Finance costs | | (138.5) | (118.2) |
| Finance costs, net | 9 | (54.7) | (111.7) |
| Profit before income tax | | 1,854.1 | 1,980.5 |
| Income tax expense | 10 | (545.0) | (509.6) |
| Profit for the period attributable to equity holders of the Company | | 1,309.1 | 1,470.9 |
| Earnings per share for profit attributable to equity holders of the Company during the period | | RMB cents | RMB cents |
| Basic and diluted earnings per share | 11 | 21.11 | 27.91 |

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2020

| | Unaudited | |
|--|---------------------------------|-------------|
| | Six months ended 31 August 2020 | 2019 |
| | RMB million | RMB million |
| Profit for the period attributable to equity holders of the Company | 1,309.1 | 1,470.9 |
| Other comprehensive income | | |
| <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 | 34.8 | – |
| | 34.8 | 2.3 |
| Total comprehensive income for the period attributable to equity holders of the Company | 1,343.9 | 1,473.2 |

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2020

| | Note | Unaudited As at 31 August 2020 RMB million | Audited As at 29 February 2020 RMB million |
|---|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 975.6 | 1,153.8 |
| Right-of-use assets | 14(a) | 3,603.4 | 3,908.8 |
| Intangible assets | 13 | 1,090.6 | 1,103.3 |
| Long-term deposits, prepayments and other receivables | 15 | 238.9 | 255.5 |
| Long-term bank deposits | 17 | 1,000.0 | – |
| Deferred income tax assets | | 285.8 | 237.5 |
| | | 7,194.3 | 6,658.9 |
| Current assets | | | |
| Inventories | | 6,594.4 | 6,649.0 |
| Trade receivables | 16 | 1,660.3 | 1,486.7 |
| Deposits, prepayments and other receivables | 15 | 849.2 | 822.0 |
| Pledged term deposits and other bank deposits | 17 | 2,023.5 | 3,594.7 |
| Bank balances and cash | 17 | 2,265.8 | 2,823.9 |
| | | 13,393.2 | 15,376.3 |
| Total assets | | 20,587.5 | 22,035.2 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | 14(b) | 2,297.6 | 2,519.9 |
| Deferred income tax liabilities | | 200.0 | 73.2 |
| | | 2,497.6 | 2,593.1 |
| Current liabilities | | | |
| Trade payables | 18 | 1,097.0 | 1,105.5 |
| Other payables, accruals and other liabilities | | 1,184.1 | 1,593.2 |
| Dividend payable | 12 | – | 1,635.3 |
| Short-term borrowings | 19 | 2,460.0 | 2,400.0 |
| Lease liabilities | 14(b) | 1,301.6 | 1,344.7 |
| Current income tax liabilities | | 594.4 | 820.4 |
| | | 6,637.1 | 8,899.1 |
| Total liabilities | | 9,134.7 | 11,492.2 |
| Net assets | | 11,452.8 | 10,543.0 |

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2020

| | Note | Unaudited As at 31 August 2020 RMB million | Audited As at 29 February 2020 RMB million |
|---|------|--|--|
| EQUITY | | | |
| Equity attributable to equity holders of the Company | | | |
| Share capital | 20 | – | – |
| Other reserves | 21 | 8,217.3 | 8,593.4 |
| Retained earnings | | 3,235.5 | 1,949.6 |
| Total equity | | 11,452.8 | 10,543.0 |

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

The condensed consolidated interim financial information on pages 18 to 39 was approved by the Board of Directors on 27 October 2020 and were signed on its behalf.

SHENG Baijiao
Director

YU Wu
Director



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2020

| | Unaudited | | | |
|---|---|--------------------------|-------------------|-----------------|
| | Attributable to equity holders of the Company | | | |
| | Share capital | Other reserves | Retained earnings | Total equity |
| | RMB million | RMB million (Note 21) | RMB million | RMB million |
| For the six months ended 31 August 2020 | | | | |
| At 1 March 2020 | – | 8,593.4 | 1,949.6 | 10,543.0 |
| Comprehensive income: | | | | |
| Profit for the period | – | – | 1,309.1 | 1,309.1 |
| Other comprehensive income: | | | | |
| Exchange differences | – | 34.8 | – | 34.8 |
| Total comprehensive income for the period | – | 34.8 | 1,309.1 | 1,343.9 |
| Appropriation to statutory reserves | – | 23.2 | (23.2) | – |
| Dividends (Note 12) | – | (434.1) | – | (434.1) |
| Total transactions with equity holders | – | (410.9) | (23.2) | (434.1) |
| At 31 August 2020 | – | 8,217.3 | 3,235.5 | 11,452.8 |
| For the six months ended 31 August 2019 | | | | |
| At 1 March 2019 | – | 1,458.0 | 490.8 | 1,948.8 |
| Comprehensive income: | | | | |
| Profit for the period | – | – | 1,470.9 | 1,470.9 |
| Other comprehensive income: | | | | |
| Exchange difference | – | 2.3 | – | 2.3 |
| Total comprehensive income for the period | – | 2.3 | 1,470.9 | 1,473.2 |
| Other contributions from Belle International Holdings Limited | – | 1.0 | – | 1.0 |
| Appropriation to statutory reserves | – | 25.8 | (25.8) | – |
| Total transactions with equity holders | – | 26.8 | (25.8) | 1.0 |
| At 31 August 2019 | – | 1,487.1 | 1,935.9 | 3,423.0 |

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 August 2020

| | Note | Unaudited Six months ended 31 August | |
|--|------|---|---------------------|
| | | 2020 RMB million | 2019 RMB million |
| Cash flows from operating activities | | | |
| Net cash generated from operations | | 2,673.8 | 2,490.8 |
| Income tax paid | | (692.5) | (279.9) |
| Net cash generated from operating activities | | 1,981.3 | 2,210.9 |
| Cash flows from investing activities | | | |
| 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 |
| Net cash generated from/(used in) investing activities | | 393.5 | (256.4) |
| Cash flows from financing activities | | | |
| 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) |
| Payments 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) |
| Net cash used in financing activities | | (2,932.9) | (3,056.0) |
| Net decrease in cash and cash equivalents | | (558.1) | (1,101.5) |
| Cash and cash equivalents at beginning of the period | | 2,823.9 | 450.5 |
| Cash and cash equivalents at end of the period | | 2,265.8 | (651.0) |
| Cash and cash equivalents comprise of: | | | |
| Bank balances and cash | 17 | 2,265.8 | 631.5 |
| Bank overdrafts | | – | (1,282.5) |
| | | 2,265.8 | (651.0) |

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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, the condensed consolidated statement of changes in equity 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 close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

- (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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 Critical accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the annual consolidated financial statements for the year ended 29 February 2020.

4 Financial risk management and financial instruments

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.

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 29 February 2020.

There have been no changes in the risk management policies since 29 February 2020.

4.2 Fair value estimation

As at 31 August 2020 and 29 February 2020, except for other bank deposits, which are measured at fair value through profit or loss, the Group did not have any significant financial assets or financial liabilities in the balance sheet which are measured at fair value.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 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.

6 Revenue

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

7 Other income

| | Six months ended 31 August | |
|------------------------------|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| Government incentives (note) | 177.8 | 122.7 |
| Others | 3.3 | 9.1 |
| | 181.1 | 131.8 |

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Expenses by nature

| | Six months ended 31 August | |
|---|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| 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 (Note 14) | 897.0 | 779.1 |
| Depreciation on property, plant and equipment (Note 13) | 340.4 | 354.9 |
| Amortization of intangible assets (Note 13) | 16.0 | 27.0 |
| Write-off of intangible assets (Note 13) | 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) (Note 14) | 14.9 | – |
| Impairment of trade receivables (Note 16) | 24.3 | – |
| Other tax expenses | 68.8 | 85.4 |
| Listing expenses | – | 50.7 |
| Others | 859.6 | 895.1 |
| Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment of trade receivables | 14,041.8 | 14,997.2 |

9 Finance costs, net

| | Six months ended 31 August | |
|--|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| Interest income from bank deposits | 83.8 | 6.5 |
| Finance income | 83.8 | 6.5 |
| Interest expense on bank borrowings | (35.4) | (23.1) |
| Interest expense on lease liabilities (Note 14(b)) | (103.1) | (95.1) |
| Finance costs | (138.5) | (118.2) |
| Finance costs, net | (54.7) | (111.7) |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Income tax expense

| | Six months ended 31 August | |
|---|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| Current income tax – PRC corporate income tax | | |
| – Current period | 460.4 | 543.3 |
| – Under-provision in prior years | 4.5 | 0.9 |
| – Withholding taxes | 1.6 | 85.9 |
| Deferred income taxes | 78.5 | (120.5) |
| | 545.0 | 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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 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 | RMB million | 1,309.1 | 1,470.9 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (note) | thousand of shares | 6,201,222 | 5,271,038 |
| Basic earnings per share | RMB cents | 21.11 | 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 (Note 20).

(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.

12 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Property, plant and equipment and intangible assets

| | Property, plant and equipment RMB million | Goodwill RMB million | Other intangible assets RMB million (note) | Total intangible assets RMB million |
|--|--|-------------------------|--|--|
| Net book value as at 1 March 2020 | 1,153.8 | 1,002.4 | 100.9 | 1,103.3 |
| Additions | 170.2 | – | 5.3 | 5.3 |
| Depreciation/amortization | (340.4) | – | (16.0) | (16.0) |
| Disposals/write-off | (8.0) | – | (2.0) | (2.0) |
| Net book value as at 31 August 2020 | 975.6 | 1,002.4 | 88.2 | 1,090.6 |
| Net book value as at 1 March 2019 | 1,115.6 | 1,002.4 | 142.4 | 1,144.8 |
| Additions | 252.3 | – | 9.3 | 9.3 |
| Depreciation/amortization | (354.9) | – | (27.0) | (27.0) |
| Disposals/write-off | (16.0) | – | – | – |
| Net book value as at 31 August 2019 | 997.0 | 1,002.4 | 124.7 | 1,127.1 |

Note: Other intangible assets mainly include (i) distribution and licenses contracts and (ii) e-Sports licenses and contracts.

14 Lease

(a) Right-of-use assets

| | Six months ended 31 August | |
|------------------------------|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| As at 1 March | 3,908.8 | 3,451.8 |
| Inception of lease contracts | 640.5 | 612.3 |
| Depreciation (Note 8) | (897.0) | (779.1) |
| Remeasurement | (34.0) | (13.1) |
| Impairment | (14.9) | – |
| As at 31 August | 3,603.4 | 3,271.9 |

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Lease (continued)

(a) Right-of-use assets (continued)

During the period, depreciation of right-of-use assets has been charged to the consolidated statement of profit or loss as follows:

| | Six months ended 31 August | |
|-------------------------------------|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| Selling and distribution expenses | 871.3 | 753.0 |
| General and administrative expenses | 25.7 | 26.1 |
| | 897.0 | 779.1 |

During the period, the impairment on right-of-use assets has been charged to the consolidated statement of profit or loss under selling and distribution expenses.

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 8) 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

| | Six months ended 31 August | |
|--|----------------------------|---------------------|
| | 2020 RMB million | 2019 RMB million |
| As at 1 March | 3,864.6 | 3,300.9 |
| Inception of lease contracts | 640.5 | 612.4 |
| Interest expense on lease liabilities (Note 9) | 103.1 | 95.1 |
| Payment for lease liabilities (including interest) | (868.8) | (890.0) |
| Remeasurement | (140.2) | (15.4) |
| As at 31 August | 3,599.2 | 3,103.0 |

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|---|---|---|
| Amount due for settlement within 12 months (shown under current liabilities) | 1,301.6 | 1,344.7 |
| Amount due for settlement after 12 months | 2,297.6 | 2,519.9 |
| | 3,599.2 | 3,864.6 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Lease (continued)

(b) Lease liabilities (continued)

Maturity analysis of lease liabilities is as follows:

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|--|---|---|
| Not later than 1 year | 1,301.6 | 1,344.7 |
| Later than 1 year but not later than 5 years | 2,213.5 | 2,400.7 |
| Later than 5 years | 84.1 | 119.2 |
| | 3,599.2 | 3,864.6 |

(c) Short-term leases and not yet commenced lease

As at 31 August 2020 and 29 February 2020, the total future lease payments for short-term leases amounting to RMB138.7 million and RMB78.4 million respectively. As at 31 August 2020 and 29 February 2020, leases committed but not yet commenced are relatively insignificant.

15 Deposits, prepayments and other receivables

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|--------------------------------------|---|---|
| Non-current | | |
| Rental deposits | 228.9 | 238.8 |
| Prepayments for capital expenditures | 10.0 | 16.7 |
| | 238.9 | 255.5 |
| Current | | |
| Rental deposits | 329.1 | 301.7 |
| Value-added tax recoverable | 151.4 | 199.9 |
| Prepayments for purchase | 102.2 | 103.7 |
| Other receivables and prepayments | 266.5 | 216.7 |
| | 849.2 | 822.0 |

The carrying amounts of deposits and other receivables approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Trade receivables

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|-------------------|---|---|
| Trade receivables | 1,737.4 | 1,539.5 |
| Loss allowance | (77.1) | (52.8) |
| | 1,660.3 | 1,486.7 |

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 RMB million | As at 29 February 2020 RMB million |
|----------------|---|---|
| 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 |
| | 1,737.4 | 1,539.5 |
| Loss allowance | (77.1) | (52.8) |
| | 1,660.3 | 1,486.7 |

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:

| | Six months ended 31 August 2020 RMB million | 2019 RMB million |
|--------------------------------|---|---------------------|
| At the beginning of the period | 52.8 | 33.7 |
| Increase in loss allowance | 24.3 | – |
| | 77.1 | 33.7 |

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Bank deposits, balances and cash

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|--|---|---|
| Non-current | | |
| Long-term bank deposits (note (i)) | 1,000.0 | – |
| Current | | |
| Bank balances and cash | 2,265.8 | 2,823.9 |
| Pledged term deposits, under cross-border cash pooling arrangement (note (ii)) | 1,563.5 | 3,594.7 |
| | 3,829.3 | 6,418.6 |
| Other bank deposits | 460.0 | – |
| | 4,289.3 | 6,418.6 |
| Denominated in: | | |
| RMB | 3,656.7 | 2,746.1 |
| HK\$ | 1,632.6 | 3,672.5 |
| | 5,289.3 | 6,418.6 |

Notes:

- (i) As at 31 August 2020, long-term bank deposits carried interest at 3.7% per annum. The carrying amounts of the deposits approximate their fair values.
- (ii) As at 31 August 2020, pledged term deposits represented deposits placed in a bank under a cross-border cash pooling arrangement operating among certain subsidiaries of the Group. The term deposits were pledged to the bank against cash drawing as borrowings by subsidiaries of the Group under this cross-border cash pooling arrangement (Note 19). As at 31 August 2020, these deposits carried interest at 2.53% per annum. The carrying amounts of the pledged term deposits approximate their fair values.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 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 RMB million | As at 29 February 2020 RMB million |
|---------------|---|---|
| 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 |
| | 1,097.0 | 1,105.5 |

The carrying amounts of trade payables approximate their fair values.

19 Short-term borrowings

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|--|---|---|
| Unsecured bank borrowings | 1,000.0 | 400.0 |
| Secured borrowings under a cross-border cash pooling arrangement | 1,460.0 | 2,000.0 |
| | 2,460.0 | 2,400.0 |

As at 31 August 2020, the Group's unsecured bank borrowings carried interest at 2.5% (29 February 2020: 3.5%) per annum.

As at 31 August 2020, secured borrowings of RMB1,460.0 million were drawn under a cross-border cash pooling arrangement operating among certain subsidiaries of the Group, which is secured by the pledged term deposits as detailed in Note 17. These borrowings carried interest at fixed rates with weighted average effective interest rate of 2.9% (29 February 2020: 3.1%) per annum.

The carrying amount of the Group's short-term bank borrowings are denominated in RMB and approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Share capital

| | Number of ordinary shares | Nominal value of ordinary shares |
|--|------------------------------|-------------------------------------|
| Authorized: | | |
| As at 1 March 2019 | 5,000,000 | US\$500,000 |
| As at 29 February 2020, 1 March 2020 and 31 August 2020 | 20,000,000,000 | HK\$20,000 |
| Issued and fully paid: | | HK\$ |
| As at 1 March 2019 | 1 | – |
| Repurchase and cancellation of ordinary share (note (a)) | (1) | – |
| Issuance of share to give effect the Reorganization (note (a)) | 1 | – |
| Shares issued under the capitalization issue (note (a)) | 5,271,038,023 | 5,271 |
| Shares issued pursuant to the Listing (note (b)) | 930,184,000 | 930 |
| As at 29 February 2020, 1 March 2020 and 31 August 2020 | 6,201,222,024 | 6,201 |

Notes:

- (a) Pursuant to the written resolutions of the Company's sole shareholder passed on 6 September 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; (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.

The above proposed global offering became unconditional and the Capitalization Issue was completed on 10 October 2019.

- (b) On 10 October 2019, upon the Listing on the Main Board of the Stock Exchange, the Company issued 930,184,000 new ordinary shares at par value of HK\$0.000001 per share for cash consideration of HK\$8.50 each, and raised gross proceeds of approximately HK\$7,906.6 million (equivalents to approximately RMB7,211.0 million). The nominal value of the share capital was approximately RMB850.0 and share premium arising from the issuance was approximately RMB7,211.0 million.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Other reserves

| | Share premium RMB million (note (a)) | Capital reserve RMB million (note (b)) | Exchange reserve RMB million | Statutory reserve RMB million (note (c)) | Total RMB million |
|-------------------------------------|--|--|---------------------------------|--|----------------------|
| At 1 March 2020 | 26,395.5 | (18,437.6) | (40.1) | 675.6 | 8,593.4 |
| Exchange differences | - | - | 34.8 | - | 34.8 |
| Appropriation to statutory reserves | - | - | - | 23.2 | 23.2 |
| Dividends (Note 12(b)) | (434.1) | - | - | - | (434.1) |
| At 31 August 2020 | 25,961.4 | (18,437.6) | (5.3) | 698.8 | 8,217.3 |
| At 1 March 2019 | 19,320.0 | (18,438.6) | 1.5 | 575.1 | 1,458.0 |
| Exchange differences | - | - | 2.3 | - | 2.3 |
| Other contributions from | | | | | |
| Belle International | - | 1.0 | - | - | 1.0 |
| Appropriation to statutory reserves | - | - | - | 25.8 | 25.8 |
| At 31 August 2019 | 19,320.0 | (18,437.6) | 3.8 | 600.9 | 1,487.1 |

Notes:

(a) Share premium

The share premium represents the difference between the par value of the share issued and the deemed consideration for the Reorganization. It also includes the share premium arising from issuance of shares upon listing of the Company, net of share issuance costs.

(b) 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.

(c) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Future minimum lease payments receivables

As at 29 February and 31 August 2020, the future aggregate minimum lease payments receivable in respect of buildings under non-cancellable operating leases were as follows:

| | As at 31 August 2020 RMB million | As at 29 February 2020 RMB million |
|--|---|---|
| Not later than 1 year | 48.9 | 35.1 |
| Later than 1 year and not later than 5 years | 16.3 | 22.7 |
| | 65.2 | 57.8 |

23 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 condensed consolidated interim financial information:

Transactions for the period

| | Six months ended 31 August 2020 RMB million | 2019 RMB million |
|---|---|---------------------|
| Transactions with companies controlled by Belle International other than the Group (note (a)) | | |
| – Sale of goods | 1.5 | 11.2 |
| – Logistics services fees | 180.9 | 162.9 |
| – E-commerce services fees | 50.8 | 72.7 |
| – Rental expenses | 14.1 | 16.9 |
| Key management compensation | | |
| – Salaries, bonuses and other welfare (note (b)) | 3.5 | 3.0 |

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.



GENERAL INFORMATION

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At of 31 August 2020, none of the Directors or chief executives holds any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and 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 to be notified to the Company and the Stock Exchange, 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.

None of the Directors or chief executive of the Company or any of their spouses or children under eighteen years of age has interests or short positions in the shares, underlying shares or debentures of the Company, or any of its holding company, subsidiaries or other associated corporations, as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of 31 August 2020, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in shares or underlying shares (within the meaning of Part XV of the SFO) of the Company which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

GENERAL INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

| Name of shareholder | Capacity/ Nature of interest | Number of shares | Approximate percentage of interests in our Company ⁽¹⁾ |
|---|---|------------------------------|--|
| Belle Sports Limited ⁽²⁾ | Beneficial Owner | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Belle International Holdings Limited ⁽²⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Muse Holdings-B Inc. ⁽²⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Muse Holdings-M Inc. ⁽²⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Muse Holdings Inc. ⁽²⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Wisdom Man Ventures Limited ⁽²⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Hillhouse HHBH Holdings Limited ^{(2) (3)} | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Hillhouse HHBH Limited ⁽³⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| HHBH Investment, L.P. ⁽³⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| Hillhouse Capital Management, Ltd ⁽³⁾ | Interest in controlled corporation | 4,864,711,024 ⁽⁴⁾ | 78.45% |
| China CITIC Bank Corporation Limited ^{(5) (6)} | Person having a security interest in shares | 4,864,711,024 | 78.45% |
| CITIC Corporation Limited ⁽⁶⁾ | Interest in controlled corporation | 5,131,511,024 | 82.75% |
| CITIC Limited ⁽⁶⁾ | Interest in controlled corporation | 4,864,711,024 | 78.45% |
| CITIC Group Corporation ⁽⁶⁾ | Interest in controlled corporation | 4,864,711,024 | 78.45% |
| Siemens Bank GmbH Singapore Branch ^{(5) (7)} | Person having a security interest in shares | 4,864,711,024 | 78.45% |
| Siemens AG ⁽⁷⁾ | Interest in controlled corporation | 4,864,711,024 | 78.45% |

Notes:

- (1) As of 31 August 2020, the total number of issued shares of the Company was 6,201,222,024.
- (2) Belle Sports Limited is wholly-owned by Belle International Holdings Limited, which is wholly-owned by Muse Holdings-B Inc.. Muse Holdings-B Inc. is wholly-owned by Muse Holdings-M Inc., which is wholly-owned by Muse Holdings Inc.. Muse Holdings Inc. is owned as to 46.36% and 44.48% by Wisdom Man Ventures Limited and Hillhouse HHBH Holdings Limited, respectively.
- (3) Hillhouse HHBH Holdings Limited 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 Management, Ltd..
- (4) Belle Sports Limited has granted security over all its shares in the Company in favor of Bank of America, N.A. (in its capacity as the security agent), an authorized institution as defined in the Hong Kong Banking Ordinance and a qualified lender as defined in the SFO, for certain debt financing.
- (5) Each of China CITIC Bank Corporation Limited and Siemens Bank GmbH Singapore Branch is one of the lenders of the debt financing and is not a qualified lender. The lender of the debt financing may change and may be a lender other than a qualified lender.
- (6) CITIC Corporation Limited holds 65.37% shareholding of China CITIC Bank Corporation Limited. CITIC Limited, through its subsidiaries (including CITIC Corporation Limited), holds 65.97% shareholding of China CITIC Bank Corporation Limited. CITIC Group Corporation, through its subsidiaries, holds 58.13% shareholding of CITIC Limited.
- (7) Siemens Bank GmbH Singapore Branch is wholly-owned by Siemens AG.

Save as disclosed herein, as of 31 August 2020, our Directors are not aware of any persons (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares or underlying Shares which was required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO based on the disclosure of interest filings or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



GENERAL INFORMATION

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.

CHANGES IN DIRECTORS' INFORMATION

Save as disclosed otherwise in this interim report, no change in the biographical details of the Directors that is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2020 to 31 August 2020.

GENERAL INFORMATION

CONTINUING DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING RULES

Save as otherwise disclosed in this report, our Directors have confirmed that, as of 31 August 2020, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

On a separate note, as of 31 August 2020, the outstanding principal amount under the facility agreement dated 28 April 2017 entered into among others, Muse Holdings-B Inc. as borrower and Bank of America, N.A. as arranger, agent and security agent, was approximately HK\$18,700 million ("Facility Agreement"). Belle Sports Limited continued to grant security over all the shares held by it in the Company to Bank of America, N.A. (as the security agent) as part of the security for the debt financing under the Facility Agreement.

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.



GENERAL INFORMATION

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.

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 report, 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.

| Intended use of Net Proceeds as stated in the Prospectus | Net Proceeds HK\$ million | Up to 31 August 2020 Utilized Amount HK\$ million | As at 31 August 2020 Unutilized Amount HK\$ million |
|--|------------------------------|--|--|
| Investing in technology initiatives to accelerate the digital transformation of the business | 800.0 | 284.0 | 516.0 ⁽¹⁾ |
| 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 ⁽²⁾ | 422.9 | 422.9 | – |
| Total | 7,689.0 | 7,173.0 | 516.0 |

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.