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TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

滔搏國際控股有限公司

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2024

FINANCIAL HIGHLIGHTS

		Year ended	
		29 February 2024	28 February 2023
Revenue	RMB million	28,933.2	27,073.2
Gross profit	RMB million	12,080.8	11,284.2
Operating profit	RMB million	2,786.5	2,430.9
Profit attributable to the Company's equity holders	RMB million	2,213.0	1,836.6
Gross profit margin	%	41.8	41.7
Operating profit margin	%	9.6	9.0
Profit margin attributable to the Company's equity holders	%	7.6	6.8
Earnings per share – basic and diluted	RMB cents	35.69	29.62
Dividend per share			
– interim, paid	RMB cents	16.00	13.00
– final, proposed	RMB cents	5.00	5.00
– special, proposed	RMB cents	15.00	15.00
Average trade receivables turnover period	days	15.1	14.6
Average trade payables turnover period	days	15.0	22.2
Average inventory turnover period	days	136.1	149.5
		As at	
		29 February 2024	28 February 2023
Gearing ratio	%	Net cash	Net cash
Current ratio	times	3.2	2.3

ANNUAL RESULTS

The board of directors (the “**Board**” or “**Directors**”) of Topsports International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 29 February 2024, together with comparative information, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 29 FEBRUARY 2024

	Note	Year ended	
		29 February 2024 RMB million	28 February 2023 RMB million
Revenue	4	28,933.2	27,073.2
Cost of sales	6	(16,852.4)	(15,789.0)
Gross profit		12,080.8	11,284.2
Selling and distribution expenses	6	(8,356.0)	(8,051.9)
General and administrative expenses	6	(1,115.4)	(1,101.4)
Reversal of impairment of trade receivables		1.2	1.5
Other income	5	175.9	298.5
Operating profit		2,786.5	2,430.9
Finance income	7	120.0	104.0
Finance costs	7	(147.3)	(212.5)
Finance costs, net		(27.3)	(108.5)
Profit before income tax		2,759.2	2,322.4
Income tax expense	8	(547.9)	(485.8)
Profit for the year		2,211.3	1,836.6
Attributable to:			
Equity holders of the Company		2,213.0	1,836.6
Non-controlling interests		(1.7)	-
		2,211.3	1,836.6
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company for the year			
Basic and diluted earnings per share	9	35.69	29.62

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 FEBRUARY 2024

	Year ended	
	29 February 2024	28 February 2023
	RMB million	RMB million
Profit for the year	2,211.3	1,836.6
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss</i>		
Exchange differences	0.1	-
<i>Items that may be subsequently reclassified to profit or loss</i>		
Exchange differences	34.7	82.1
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Total comprehensive income for the year	2,246.1	1,918.7
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Attributable to:		
Equity holders of the Company	2,247.8	1,918.7
Non-controlling interests	(1.7)	-
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	2,246.1	1,918.7
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CONSOLIDATED BALANCE SHEET

AS AT 29 FEBRUARY 2024

		As at	
		29 February 2024	28 February 2023
	Note	RMB million	RMB million
ASSETS			
Non-current assets			
Property, plant and equipment		638.7	733.2
Right-of-use assets		1,821.4	2,424.6
Intangible assets		1,059.4	1,073.4
Long-term deposits, prepayments and other receivables		214.9	249.3
Financial assets at fair value through profit or loss		45.9	-
Deferred income tax assets		204.6	238.9
		<u>3,984.9</u>	<u>4,719.4</u>
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Current assets			
Inventories	11	6,283.8	6,247.3
Trade receivables	12	1,329.6	1,054.9
Deposits, prepayments and other receivables		863.6	1,135.7
Financial assets at fair value through profit or loss		-	20.0
Short-term pledged bank deposits		126.1	1,286.0
Cash and cash equivalents		1,956.0	2,357.4
		<u>10,559.1</u>	<u>12,101.3</u>
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Total assets		<u>14,544.0</u>	<u>16,820.7</u>
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CONSOLIDATED BALANCE SHEET

AS AT 29 FEBRUARY 2024

		As at	
		29 February 2024	28 February 2023
	Note	RMB million	RMB million
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,098.1	1,481.4
Deferred income tax liabilities		249.0	237.4
		1,347.1	1,718.8
Current liabilities			
Trade payables	13	387.1	991.0
Other payables, accruals and other liabilities		1,087.6	1,191.5
Short-term borrowings	14	720.1	1,545.0
Lease liabilities		890.0	1,180.7
Current income tax liabilities		261.7	360.1
		3,346.5	5,268.3
Total liabilities		4,693.6	6,987.1
Net assets		9,850.4	9,833.6
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		-	-
Other reserves		1,804.9	1,741.7
Retained earnings		8,044.0	8,091.9
		9,848.9	9,833.6
Non-controlling interests		1.5	-
Total equity		9,850.4	9,833.6

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2024

	Year ended	
	29 February 2024	28 February 2023
	RMB million	RMB million
Cash flows from operating activities		
Net cash generated from operations	3,729.4	5,241.5
Income tax paid	(600.4)	(890.8)
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Net cash generated from operating activities	3,129.0	4,350.7
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Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible assets	(396.9)	(357.0)
Payments for acquisition a subsidiary, net of cash acquired	(2.5)	-
Proceeds from disposals of property, plant and equipment	2.4	5.4
Payment for purchase of financial assets at fair value through profit or loss	(45.9)	(20.0)
Proceeds from disposal of financial assets at fair value through profit or loss	20.0	-
Placement of other bank deposits	-	(551.0)
Withdrawal of other bank deposits	-	551.0
Interest received	224.8	66.0
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Net cash used in investing activities	(198.1)	(305.6)
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Cash flows from financing activities		
Proceeds from short-term borrowings	1,710.1	2,595.0
Repayments of short-term borrowings	(2,535.0)	(1,571.0)
Placement of short-term pledged bank deposits	(372.1)	(864.1)
Withdrawal of short-term pledged bank deposits	1,532.0	578.1
Payments for lease liabilities (including interest)	(1,421.6)	(1,480.6)
Interest paid for short-term borrowings	(13.2)	(31.1)
Dividends paid	(2,232.5)	(2,666.6)
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Net cash used in financing activities	(3,332.3)	(3,440.3)
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Net (decrease)/increase in cash and cash equivalents	(401.4)	604.8
Cash and cash equivalents at beginning of the year	2,357.4	1,752.6
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Cash and cash equivalents at end of the year	1,956.0	2,357.4
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NOTES

1 General information

Topsports International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the sales of sportswear products and leasing commercial spaces to other retailers for concessionaire sales in the People’s Republic of China (the “PRC”). The address of the Company’s registered office is P.O. Box 309, Uglund 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. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10 October 2019. As at 29 February 2024 and 28 February 2023, no entity holds more than 50% equity interest in the Company and the directors of the Company considered there is no controlling party of the Company.

These consolidated financial statements of the Group are presented in Renminbi (“RMB”), unless otherwise stated and have been approved for issue by the Board on 22 May 2024.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable IFRS Accounting Standards and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit and loss, which is measured at fair value.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

The Group has applied the following amendments to standards for the first time for the annual reporting period commencing 1 March 2023:

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

The adoption of above amended standards does not have significant impact on the consolidated financial performance of the Group.

3 Segment information

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

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

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

As at 29 February 2024 and 28 February 2023, substantially all of the non-current assets of the Group were located in the PRC.

4 Revenue

	Year ended	
	29 February 2024 RMB million	28 February 2023 RMB million
Sale of goods	28,724.4	26,844.3
Concessionaire fee income	169.9	174.9
Others	38.9	54.0
	<u>28,933.2</u>	<u>27,073.2</u>

5 Other income

	Year ended	
	29 February 2024 RMB million	28 February 2023 RMB million
Government incentives (note)	159.3	298.1
Others	16.6	0.4
	<u>175.9</u>	<u>298.5</u>

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

6 Expenses by nature

	Year ended	
	29 February 2024 RMB million	28 February 2023 RMB million
Cost of inventories recognized as expenses included in cost of sales	16,816.2	15,773.2
Staff costs	2,931.1	2,890.5
Lease expenses (mainly including concessionaire fee expenses)	2,741.8	2,001.0
Depreciation on right-of-use assets	1,166.8	1,581.9
Depreciation on property, plant and equipment	484.0	609.1
Amortization of intangible assets	21.0	24.7
Write-off of property, plant and equipment	2.7	4.9
Write-off of intangible assets	0.5	1.9
Losses/(gains) on disposal of property, plant and equipment	0.1	(3.7)
Impairment of inventories recognized as expenses included in cost of sales	36.2	15.8
Impairment of property, plant and equipment included in selling and distribution expenses	8.6	8.3
Impairment of right-of-use assets included in selling and distribution expenses	88.1	69.8
Other tax expenses	100.2	88.5
Auditors' remuneration	6.3	5.9
Others	1,920.2	1,870.5
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Total cost of sales, selling and distribution expenses and general and administrative expenses	26,323.8	24,942.3
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7 Finance costs, net

	Year ended	
	29 February 2024 RMB million	28 February 2023 RMB million
Interest income from bank deposits	119.9	104.0
Exchange gains	0.1	-
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Finance income	120.0	104.0
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Interest expense on bank borrowings	(17.0)	(31.1)
Interest expense on lease liabilities	(130.3)	(180.1)
Exchange losses	-	(1.3)
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Finance costs	(147.3)	(212.5)
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Finance costs, net	(27.3)	(108.5)
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8 Income tax expense

	Year ended	
	29 February 2024 RMB million	28 February 2023 RMB million
Current income tax - PRC corporate income tax		
- Current year	394.1	319.7
- Under-provision in prior years	3.1	3.3
- Withholding tax	104.8	231.4
Deferred income taxes	45.9	(68.6)
Income tax expense	<u>547.9</u>	<u>485.8</u>

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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (2023: 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 year, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (2023: 25%) except that certain subsidiaries are subject to various preferential tax treatments.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable will be reduced from 10% to 5% subject to the fulfilment of certain conditions.

9 Earnings per share

(a) Basic

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

		Year ended	
		29 February 2024	28 February 2023
Profit attributable to equity holders of the Company	RMB million	<u>2,213.0</u>	<u>1,836.6</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	thousand of shares	<u>6,201,222</u>	<u>6,201,222</u>
Basic earnings per share	RMB cents	<u>35.69</u>	<u>29.62</u>

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share outstanding for the respective years ended 29 February 2024 and 28 February 2023.

10 Dividends

- (a) At a meeting held on 25 October 2022, the directors declared an interim dividend of RMB13.00 cents or equivalent to HK\$13.78 cents per ordinary share (totaling RMB806.2 million) for the six months ended 31 August 2022, which was paid and has been reflected as an appropriation of retained earnings for the year ended 28 February 2023.
- (b) At a meeting held on 18 October 2023, the directors declared an interim dividend of RMB16.00 cents or equivalent to HK\$16.89 cents per ordinary share (totaling RMB992.2 million) for the six months ended 31 August 2023, which was paid and has been reflected as an appropriation of retained earnings for the year ended 29 February 2024.
- (c) At a meeting held on 23 May 2023, the directors recommended a final dividend of RMB5.00 cents or equivalent to HK\$5.50 cents per ordinary share (totaling RMB310.1 million) and a special dividend of RMB15.00 cents or equivalent to HK\$16.49 cents per ordinary share (totaling RMB930.2 million) for the year ended 28 February 2023. These dividends have been approved on AGM held on 21 July 2023, which were paid and have been reflected as an appropriation of retained earnings during the year ended 29 February 2024.
- (d) At a meeting held on 22 May 2024, the directors recommended a final dividend of RMB5.00 cents or equivalent to HK\$5.32 cents per ordinary share (totaling RMB310.1 million) and a special dividend of RMB15.00 cents or equivalent to HK\$15.97 cents per ordinary share (totaling RMB930.2 million) for the year ended 29 February 2024. These proposed dividends are not reflected as dividend payable in the financial statements, but will be reflected in the year ending 28 February 2025.

11 Inventories

	As at	
	29 February 2024	28 February 2023
	RMB million	RMB million
Merchandise for sale	6,455.2	6,382.5
Less: provision for impairment losses	(171.4)	(135.2)
	<u>6,283.8</u>	<u>6,247.3</u>

The cost of inventories amounting to RMB16,816.2 million (2023: RMB15,773.2 million) and the provision of impairment for inventories amounting to RMB36.2 million (2023: RMB15.8 million) were included in cost of sales during the year ended 29 February 2024.

12 Trade receivables

	As at	
	29 February 2024	28 February 2023
	RMB million	RMB million
Trade receivables	1,334.7	1,061.2
Loss allowance	(5.1)	(6.3)
	<u>1,329.6</u>	<u>1,054.9</u>

The Group's concessionaire sales through department stores and sales through e-commerce platforms are generally collectible within 30 days and 15 days from the invoice date respectively. As at 29 February 2024, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at	
	29 February 2024	28 February 2023
	RMB million	RMB million
0 to 30 days	1,300.9	999.4
31 to 60 days	22.2	49.2
61 to 90 days	2.5	3.3
Over 90 days	9.1	9.3
	<u>1,334.7</u>	<u>1,061.2</u>
Loss allowance	(5.1)	(6.3)
	<u>1,329.6</u>	<u>1,054.9</u>

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

13 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. As at 29 February 2024, the aging analysis of trade payables, based on invoice date, is as follows:

	As at	
	29 February 2024 RMB million	28 February 2023 RMB million
0 to 30 days	386.8	990.3
31 to 60 days	0.2	0.6
Over 60 days	0.1	0.1
	387.1	991.0
	387.1	991.0

The carrying amounts of trade payables are denominated in RMB. The carrying amounts approximate their fair values due to their short-term nature.

14 Short-term borrowings

	As at	
	29 February 2024 RMB million	28 February 2023 RMB million
Unsecured bank borrowings (note (a))	300.0	-
Secured bank borrowing (note (b))	420.1	1,545.0
	720.1	1,545.0
	720.1	1,545.0

Notes:

- (a) As at 29 February 2024, the Group's unsecured bank borrowings carried interest at fixed rates with weighted average interest rate of 2.75% per annum. The carrying amounts of the Group's short-term borrowings are denominated in RMB which approximate their fair values.
- (b) As at 29 February 2024, borrowings of RMB420.1 million (2023: RMB1,545.0 million) were secured by the short-term pledged bank deposits of RMB126.1 million (2023: RMB286.0 million). The carrying amount is denominated in RMB which approximates its fair value. The borrowing carried interest at fixed rate with weighted average interest rate of 1.3% (2023: 1.6%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Opportunities and Challenges Coexist Amid Uneven Consumption Recovery

As we reflect on the past financial year, it is clear that the global economy's recovery was subdued, which is due to a complex and dynamic international landscape as well as higher inflationary pressures. This also hampered the resurgence of China's economic health and consumer sentiment. However, thanks to policies implemented by the Chinese government, the nation's economy has recovered moderately and has an upward trajectory—and the sports industry has shown growth resilience and upward potential. But the pace of the consumer recovery and changes in demand have become more volatile, posing challenges for consumer-retail businesses.

In 2023, China's gross domestic product grew 5.2% year-on-year, while total retail sales of consumer goods rose by 7.2% from a year earlier. The resumption of offline consumption, together with solid government support for sports-related policies, have prompted state agencies to introduce additional supportive measures for the outdoor sports industry. In November 2023, the National Development and Reform Commission, in collaboration with the General Administration of Sport and other departments, unveiled the "Action Plan for Promoting the Construction of Outdoor Sports Facilities and Service Improvement (2023-2025)", which seeks to drive the overall size of the outdoor sports industry to RMB3 trillion by 2025.

Demand in the sports sector remains steady, underpinned by people who are more conscious about their health and want professional-grade gear, as well as supportive government policies. However, changes in demand and more cautious consumers have made it more difficult to make predictions. While these kinds of changes present opportunities, they also pose challenges for sports companies in terms of how to seize the moment and adapt to emerging trends.

Clear Strategy and Execution Drive High-Quality Omni-Channel Growth

In the macroeconomic landscape that we mentioned earlier, it is essential that companies have well-defined strategies so they can meet their goals using effective execution. At the same time, we understand that in the face of more volatile consumer patterns and evolving demand trends, the ability to increase supply and explore demand while skillfully balancing supply and demand, plays a vital role in making the company's competitive advantage stronger.

Looking back on the past financial year, we have continued to enrich our diversified brand cooperation, including recreational sports, performance sports, leisure sports, and other categories, which expanded our layout with an eye toward the future and a diversified collaborative model. We forged a retail partnership with the global high-performance footwear and apparel brand "HOKA ONE ONE" in an effort to offer runners a wider array of product choices and top-tier services. In addition, we collaborated with "KAILAS", a leader in high-altitude mountaineering, to promote thrilling outdoor adventures. We are committed to offer consumers great products and services as well as exceptional experiences that are tailored to the diverse desires of our consumers. During the financial year, we also refreshed our brand for the first time in company history. The new look for our brand highlights the initial letter "T" in our English name "Topsports" as the core design element of the logo. We believe this rejuvenation accentuates our youthfulness, personality, and consumer appeal. And it is grounded in our brand-value proposition of "fostering joyous sports experiences and lifestyle" as well as our core brand spirit of "Being Born to Challenge", which is emotionally resonant and sparks enthusiasm for sports.

Having a diversity of brands that is that is multi-format and multifaceted requires more sophisticated retail operations that can adapt to the unique characteristics of different products and categories. A business that has the ability to adapt must be equipped to provide support and centralized synergies. For example, in terms of channel layout, product management, user groups, and marketing demand creation, exclusive and accurate matching is essential. But when we speak about expanding omni-channel operations, enhancing digital intelligence, and garnering support from an iterative organization, greater synergistic efficiency is invaluable.

Faced with an uneven macroeconomic environment and consumer market, we have responded with agility by focusing on omni-channel retail, users, innovative business formats and services while making our platform more efficient. Thanks to a clear strategy and skilled execution by our team, we have delivered high-quality growth in both revenue and profit. Bolstered by stable operations and strong cash-generation capabilities, we have again provided shareholders with exceptional returns on their investments.

FINANCIAL REVIEW

During the financial year, along with the recovery of the macroeconomic environment and our own operational efficiency, the Group successfully returned to a high-quality growth trajectory driven by retail, omni-channel, and multi-brand strategies. Revenue rose 6.9% from a year earlier, reaching RMB28,933.2 million. Including:

- With a resurgence in demand from market reopening, our retail business revenue resumed its growth with a year-on-year increase of 8.9%, amounting to RMB24,702.7 million;
- With our multi-brand portfolios, we capitalized on recoveries in the recreational, performance, leisure and other sports markets. Both principal brands and other brands reported year-on-year revenue growth. Specifically, revenue of principal brands experienced a year-on-year growth of 6.5%, while other brands demonstrated a year-on-year increase of 10.5%;
- The Group achieved a joint development of omni-channel consumption recovery. Both online and offline retail business sales (including but not limited to value-added tax) showed a growth trend. Our flexible and agile omni-channel retailing capabilities showed their strength once again as offline consumption resumed post-pandemic;
- A stronger performance from new products propelled growth in same-store sales, which in turn fueled the high-quality growth of the Group.

The year-on-year narrowed discount offerings of both retail and wholesale business, together with higher revenue mix of retail, contributed positively to the Group's gross profit margin. This fully offset the negative impact of moderated special subsidies offered by brand partners which we benefitted during the pandemic, but were rationally alleviated after market rebounded, driving the year-on-year improvement in gross profit margin by 0.1 percentage points to 41.8%. Although government subsidies were reduced after the pandemic, our focus on efficiency led to a year-on-year decrease in the expense ratio of selling and distribution and general and administrative expenses by 1.0 percentage points to 32.8%, which drove profit growth rate to significantly outpace revenue growth. Profit attributable to the Company's equity holders experienced year-on-year growth of 20.5%, reaching RMB2,213.0 million, while the profit margin attributable to the Company's equity holders witnessed a year-on-year increase of 0.8 percentage points, settling at 7.6%.

We always prioritize shareholder returns and work hard to create shareholder value. Thanks to our stable cash-generation capabilities, we have established a solid foundation for high dividend payouts:

- Net cash generated from operating activities during the year amounted to RMB3,129.0 million; the amount was 1.4 times the profit attributable to the Company's equity holders for the year;
- Based on this robust performance, the Board has recommended a final dividend of RMB5.00 cents per ordinary share and a special dividend of RMB15.00 cents per ordinary share for the financial year ended 29 February 2024, which, together with the interim dividend of RMB16.00 cents per ordinary share, amounts to a total dividend for of RMB36.00 cents per ordinary share for the financial year ended 29 February 2024, representing a payout ratio of 100.9%.

BUSINESS REVIEW

With all the market insights that we've gathered over the years, the Group has built a consumer-centric, large-scale, omni-channel, multi-brand, and multi-category retail operation that is efficient as well. During the financial year, we refined our operations and collaborated with our brand partners to upgrade our omni-channel presence, explore possible innovations, and initiate better interactions with more than 70 million Topsports users. This has presented us with a bounty of choices in terms of trendy sports consumption.

Catering to a diversity of demand and engagement occasions, as a digital trailblazer, the Group measures consumer demand and product efficiency from an omni-channel perspective, which has allowed us to integrate our online and offline channels, while providing consumers with services from all channels, cycles, and journeys—and this has led to great efficiency on our platform.

Omni-Channel Retail: More Streamlined Offline Presence

In the post-pandemic era of consumption and demand recovery, we are reminded again of the vital value for consumer engagement driven by our offline presence, as well as the necessities for iteration and upgrade of its traditional role and capabilities. A shift in focus from quantity to quality has become general consent in the industry. During the financial year, we honed our mix of store types based on the brand characteristics, consumer profiles, and product attributes of our brand partners. This has helped us to upgrade our stores.

In terms of category layout, in addition to the recreational sports space, we continued to raise the profile of performance sports. We also extended the reach of traditional offline stores through an omni-channel layout of “physical stores + communities + store live streaming + featured IPs”, and attempted to create stores for all occasions based on selected existing stores that have more to offer. On store efficiency, we carried out image upgrades and renovations in stores that have potential, and eliminated the underperforming ones. We adhered to our strategy of “Select + Optimize” and strove to make stores more efficient. In terms of sales performance, both store efficiency and area unit efficiency improved for principal and other brands.

From a results perspective, the change in quantity and selling area of our stores was in line with the recovery of demand in the market. During the financial year, the number of net store closures decreased significantly year-on-year, while our total selling area remained stable. As of 29 February 2024, we operated 6,144 directly-operated stores, with the total number of stores decreasing by 6.4% year-on-year and the gross selling area decreasing by 0.8% year-on-year. Compared to 31 August 2023, the total number of stores decreased by 1.0%, while the gross selling area increased by 0.9%.

As of 29 February 2024, the selling area per store increased by 6.0% year-on-year. The changes in stores that had different area types were more balanced, with the area per store increasing for both principal and other brands. This reflected our pursuit of more precise store sizes that are in line with brand attributes, category attributes, and consumer attributes.

Changes in the number of stores, gross selling area, and selling area per store during the year:

		As at 28 / 29 February			
	2021	2022	2023		2024
Number of stores					
At the beginning of the year	8,395	8,006	7,695		6,565
	-----	-----	-----		-----
Opening of new stores	713	906	429		526
Closure of stores	(1,102)	(1,217)	(1,559)		(947)
	-----	-----	-----		-----
Net decrease in the number of stores	(389)	(311)	(1,130)		(421)
	-----	-----	-----		-----
At the end of the year	8,006	7,695	6,565		6,144
	=====	=====	=====		=====
YoY change in gross selling area	4.1%	5.4%	(6.8%)		(0.8%)
YoY change in selling area per store	9.2%	9.6%	9.2%		6.0%

Omni-Channel Retail: Extensive Online Presence

In the post-pandemic era of consumption and demand recovery, we have taken note of the omni-channel coverage of a consumer’s entire journey. Online interactions have gradually become an essential part of consumers’ daily consumption habits. As a result, we have identified the key growth areas for our online business: platform-centric e-commerce, content driven e-commerce, and private domain operations.

With this in mind, during the financial year we engaged in store-specific live streaming and created a series of store-streaming accounts with distinct regional characteristics. By the end of the financial year, the number of nationwide store-streaming accounts surpassed 100; several of them ranked in the TOP 10 in the outdoor sports category on Douyin. In the financial year, sales generated from store streaming increased by about five times year-on-year, demonstrating the effectiveness of our online expansion.

As part of our omni-channel operation strategy, we used online communities to promote user activity, conducted individualized user services through WeCom, expanded traffic with video accounts, and completed transactions through our mini-programs. We also connected and interacted with users using more than 80,000 WeCom groups, and our private domain mini-program received a top placement in the sports-and-outdoor category of WeChat's popular mini-program ranking.

Omni-Channel Retail: Digital and Intelligent Omni-Channel Platform

During the financial year, we continued to refine its digital-intelligence capabilities for both internal business-ends and external consumer-ends. Internally, we elevated our mid-end and back-end systems to help improve the efficiency of channels and products. Externally, we fine-tuned the user experience, and allow for front-line staffs to connect with users more precisely. Through this two-pronged strategy, we upgraded the platform in terms of platform expansion, user experience, growth of scale, as well as cost reductions and efficiency enhancement.

For internal business-ends, with the support of our own data and third-party data, we continued to make our channel expansion more digital, which provided a precise insight to leverage on while we open, revamp and close our stores. At the same time, using tools like intelligent inventory allocation systems, optimized ordering and procurement systems, and the centralized management of product labels, we improved ordering efficiency, honed our order-allocation paths, made replenishment more timely and reduced the burden of store-inventory relocation and transfers. During the financial year, we continued to be an industry leader in terms of efficient inventory turnover with healthy mix of in-season and off-season products.

For external consumer-ends, we improved the functionality of the Topsports mini-program and private domain shopping guide assistant using digital tools, which made the online user experience better and allowed for more consumption stickiness. With the mini-program, we upgraded the overall page structure and revamped the user interface (UI) of the mall. We also improved the product search and filtering capabilities and experience, and added multiple functions including an intelligent online customer service system, member marketing check-in, and interactive community. These measures not only improved online shopping experiences but also cut operating costs through automation and batch tools. The upgraded mini-program experienced significant growth in daily active users, search usage rates, and average user-visit depth, demonstrating the effectiveness of our enhancements. Thanks to the upgrade of our private domain assistant tool, greater analysis of user behavior data was available to front-line staffs, along with better operational materials and improved order tracking capabilities, which made our operating reach better and promoted conversions.

Users: Value Delivery and Value Mining

In the current market landscape—which is dynamic—capturing consumers and cultivating loyalty have become more challenging due to the bumpy recovery in demand and the evolution of channels in the omni-channel program. For big retail enterprises like Topsports, one of the keys to growth lies in making better consumer connections and engaging in more targeted communications with users, in spite of traffic bottlenecks and the growing costs of acquiring customers. From a consumer perspective, we have chosen to focus on delivering more value to users and using this as a foundation to drive the continuous mining of single-user value. At the same time, we harness the power of digital intelligent tools to achieve ongoing process and result enhancements.

Over the years, the Group has gathered and nurtured a robust user base, which has grown to more than 70 million today from 10.2 million in August 2018. During the financial year, we successfully improved our user acquisitions through event-based and engaging activities, expansions for multiple occasions, as well as cross-industry collaborations within the omni-channel network.

In terms of user acquisition, offline stores were the main driver of new user growth during the financial year, as they serve as venues for interaction and also benefit from the rebound in offline traffic. For online, in addition to driving traffic from traditional e-commerce channels, we also focused on positioning ourselves in new and emerging channels for user acquisition. A notable achievement during the financial year was the launch of the “Douyin Membership Connection” system, which grew the number of new members on the Douyin platform; this complemented our existing user-acquisition methods and sources. On top of that, the implementation of this system allowed us to integrate Topsports’ user information within our own eco-system, but across a wider range of platforms. This facilitated a more robust analysis of omni-channel user profiles and allowed consumers to enjoy better and more consistent benefits on the Company’s platform.

As our user base expands, we recognize that in the current market environment, we need to cater to the diverse needs of our consumers. Throughout the financial year, we worked hard to meet the individualized needs of both new and existing users in offline and online channels, while making their collective experience better. And we wanted to build a strong sense of belonging. This was accomplished by using diverse marketing activities and interactions that were tailored to multiple segments in different parts of the consumer life cycle, which encouraged repeat purchases and facilitated value mining.

To improve engagement, we used an exciting array of member activities, including the May Day card collection, the 99 Member Month, the Chinese New Year Shopping Festival, as well as themed activities in popular tourist cities. By improving content and gameplay, as well as enhancing member benefits, we made memorable moments and created member value, which drove user activities and conversions. For our high-value users, we offered exclusive benefits and rewards through high-value offline activities, cross-industry collaborations, and activities in private domain communities. During the year, we introduced the sports IP “TOP Run Free” and organized themed activities for running communities across the country. As we crafted a user experience based on running-related services that integrates equipment and socialization, we successfully raised our profile and influence in the industry.

As we put all these measures into practice and despite the rocky consumption environment, we achieved a High-Single-Digit percentage year-on-year increase in single-user value during the financial year. Our members contributed an impressive 93.4% of the total in-store retail sales—including value-added tax—maintaining a high and stable sales contribution. Members who made repeat purchases accounted for about 70% of the overall member consumption, which was stable when compared with the year-earlier period. Our loyalty projects for high-value members yielded positive results. Even though high-value members accounted for only a Mid-Single-Digit mix as a percentage of total number of members who made purchases, they contributed nearly 40% of the sales value from the same member groups. Their average order value regularly and significantly surpassed the overall member average. Their consumption potential and stickiness were higher when compared with our ordinary members.

	As at			
	31 August 2022	28 February 2023	31 August 2023	29 February 2024
Cumulative user base* (Million)	62.9	67.9	73.1	76.3
Percentage of in-store retail sales (including VAT) contributed by members during the period [#]	94.4%	94.0%	92.7%	93.4%

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

[#] The Period refers to semi-annual data as of 31 August and annual data as of 28 / 29 February.

Pioneering New Business Models and Services: Enriching the development layout

Generation Z and the burgeoning middle class are the primary drivers of growth in sports-related consumption. As a result, we will increase our focus on “sources of happiness” for younger generations and increase our presence in niche sports and lifestyle areas. To better serve young consumers and cater to the themes of participation and personalization, we are always on the lookout for changes in their lifestyle preferences. We are also very sensitive to what they’re passionate about in their daily lives, including popular trends and esports. By expanding the number of products and services that we offer, we are creating new occasions for youthful consumption so we can meet their personalized needs.

During the year, we remained engaged with young people through our Topsports Esports Club. Also, we completed an investment in “Cold Mountain”, a professional ski equipment retailer, to explore the potential for ice and snow sports while generating more synergies. We also accelerated our exploration of “Outdoor+”, and invested in “Mounster”, a well-known creator of outdoor content. We also launched “GOEASY”, the first urban outdoor brand collection experience space, to provide users with outdoor goods that cover situations including urban commuting, trendy sports, professional outdoor activities, and leisure life.

Talent: The Cornerstone of the Enterprise

Talent is, without a doubt, the bedrock of long-term development for any enterprise. The Group prioritizes the recruitment and development of talent, while fostering an equal and diverse work environment, and protects the rights and interests of employees. It also wants to create a harmonious, healthy, and inclusive working environment, while striving to achieve the shared prosperity of talent and the Group. Armed with the ability to be efficient and flexible, we believe the development of the enterprise can exist in tandem with positive contributions to social and economic development.

During the financial year, we continued to hone our efficient and flexible organizational structure. Our goal is to empower our employees on the front lines to make tactical decisions and always be agile and efficient. We also flexed our digital muscles to improve the mid-end and back-end efficiency at our headquarters. As of the end of the financial year, the total number of employees stood at 29,458, down 4.9% year-on-year and 1.5% half-on-half. The decline magnitude of total number of employees narrowed half-on-half, in line with the recovery trend in the retail environment.

During the financial year, the Group adhered to its talent-development philosophy that is “operation-centric and operation-driven”. We upgraded the “Topsports Academy” 2.0 learning platform and improved its training system. Meanwhile, the Group continued to conduct employee leadership training, improving the management skills of store managers at the ground level. We launched our “Rising Star Program” training for newly appointed managers, which strengthens the leadership and management capabilities of people across different levels. During the financial year, the Group adopted a combination of online and offline training methods, conducted 450 online learning projects and organized nearly 200 offline training activities. The employee training coverage rate exceeded 95%, continuously empowering the growth of employees, store managers, and grassroots managers at the headquarters.

During the financial year, the Group released its “Employee Rights and Interests Policy”, covering multi-aspects of employee rights and interests, and committed to protecting the rights, interests, and benefits of every employee, which will enable the Company and its employees to grow jointly. Throughout the financial year, the Group received recognition from employees and the society at large, and was awarded the “2023 Shanghai Extraordinary Employer” and “China Employment Contribution Employer”, among other important accolades.

Sustainable Consumption, Value Co-creation

During the financial year, we gained a deeper understanding of the importance of sustainable development. We have responded to the United Nations Sustainable Development Goals (SDGs) and the national “dual carbon” goals. We have formulated our ESG vision of “To become a promoter and leader of green consumption by jointly building a sustainable ecosystem and achieving win-win values”. As we have developed, we have improved upon our philosophy of social responsibility, promoted sustainable concepts at all levels of the industrial chain, and have been recognized by institutions like MSCI, Morningstar Sustainalytics, and “Institutional Investor” magazine. Our MSCI ESG rating is at BBB, which is at the vanguard among listed companies in China sportswear industry.

Our goal is to promote the green transformation of the value chain. We, by leveraging its advantage in scale and key position in the industry, have always been committed to working closely with upstream and downstream brand partners and others in the industrial chain. We use homegrown strategies to guide our ESG work, focusing on three key areas: “TOP Procurement and Collaboration”, “TOP Consumption and Lifestyle”, and “TOP Governance and Responsibility”. We believe these provide a solid foundation for sustainable development.

- **TOP Procurement and Collaboration:** We collaborate with suppliers to promote carbon-reduction measures, formulate the “Supplier Code of Conduct” to improve the sustainable supervision of the upstream and downstream areas of the chain, and have achieved green collaboration and ecological co-creation. As of the end of the financial year, we had procured and sold environmentally friendly products with more than 50% of its brand partners. More than 70% of its brand partners or their affiliated groups have set carbon targets, while more than 50% of its brand partners or their affiliated groups have committed to carbon neutrality goals.
- **TOP Consumption and Lifestyle:** We keep on the regulate the control over chemical safety for self-owned products, upgrade privacy protections for consumer information, while bringing consumers healthy and safe products as well as green and high-quality services. We are also committed to promoting sustainable lifestyle concepts to consumers. For example, we have brilliantly integrated environmental-protection features into our membership point system, created the public welfare IP “GREENBOX” in offline stores, and launched the themed promotion “Topsports Green Recycling Store” through online channels to promote the values of sustainable development and a positive and healthy sports lifestyle to the public.
- **TOP Governance and Responsibility:** We have always been committed to fostering a diverse, equal, and inclusive corporate culture by providing employees with diverse training opportunities and fair, transparent, and competitive compensation and benefits. We also refer to international governance requirements, we improve our own governance and institutions, ensure a compliant, ethical, and transparent corporate ecology, and undertake more corporate social responsibilities. During the year, we were awarded “Most Honored Company”, “Best ESG”, “Best Corporate Governance”, and other accolades in the “Asia (ex-Japan) Executive Team” survey organized by the well-known financial magazine “Institutional Investor”—for the third year in a row.

FUTURE OUTLOOK

Navigating With Changes, Solidifying Presence, Tapping Into the Newness

At present, the consumption recovery in the sports market remains volatile. As new demands, brands and consumption trends emerge, our industry is facing new opportunities and changes. With this in mind, we choose to embrace change, maintain our strong presence, and tap into new markets. Looking ahead, we remain optimistic and confident. We will adhere to our founding mission, persist in making choices with certainty, and create deeper and longer-lasting value for consumers, shareholders, partners, and society at large with sustainable development in mind.

Future Development Initiatives

- Focus on omni-channel retail, users, innovative business formats and services, and lay out long-term growth.
- Continuously focus on consolidating efficiency and exploiting the fundamental resilience of the retail platform.
- Optimize and improve the “Precise + Efficient” digital empowerment support.
- Actively practice ESG concepts and build a sustainable path of ecological co-construction and value co-creation.

FINANCIAL ANALYSIS

For the year ended 29 February 2024, the Group recorded revenue of RMB28,933.2 million, an increase of 6.9% compared with that of the year ended 28 February 2023. The Group recorded operating profit of RMB2,786.5 million, an increase of 14.6% compared with that of the year ended 28 February 2023. The profit attributable to the Company's equity holders during the year amounted to RMB2,213.0 million, an increase of 20.5% compared with that of the year ended 28 February 2023.

REVENUE

The Group's revenue increased by 6.9%, from RMB27,073.2 million for the year ended 28 February 2023 to RMB28,933.2 million for the year ended 29 February 2024. The growth was mainly attributable to the impact of demand recovery to the consumption environment in general and enhancing digital intelligence during the year. The following table sets forth a breakdown of the revenue from sale of goods by brand categories, concessionaire fee income and e-Sports income for the year indicated:

	Year ended		28 February		Growth/ (Decline) rate
	29 February 2024		2023		
	Revenue	% of total	Revenue	% of total	
Principal brands*	24,834.1	85.8%	23,324.0	86.2%	6.5%
Other brands*	3,890.3	13.5%	3,520.3	13.0%	10.5%
Concessionaire fee income	169.9	0.6%	174.9	0.6%	(2.9%)
e-Sports income	38.9	0.1%	54.0	0.2%	(28.0%)
Total	<u>28,933.2</u>	<u>100.0%</u>	<u>27,073.2</u>	<u>100.0%</u>	6.9%

Unit: RMB million

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

The Group sells sportswear products sourced from international and domestic sports brands either directly to consumers through the retail operations or to the downstream retailers under the wholesale operations. The following table sets forth the revenue from sale of goods by sales channel, concessionaire fee income and e-Sports income for the year indicated:

	Year ended				Growth/ (Decline) rate
	29 February 2024		28 February 2023		
	Revenue	% of total	Revenue	% of total	
Retail operations	24,702.7	85.4%	22,686.5	83.8%	8.9%
Wholesales operations	4,021.7	13.9%	4,157.8	15.4%	(3.3%)
Concessionaire fee income	169.9	0.6%	174.9	0.6%	(2.9%)
e-Sports income	38.9	0.1%	54.0	0.2%	(28.0%)
Total	<u>28,933.2</u>	<u>100.0%</u>	<u>27,073.2</u>	<u>100.0%</u>	6.9%

Unit: RMB million

PROFITABILITY

The Group's operating profit increased by 14.6% to RMB2,786.5 million for the year ended 29 February 2024. The profit attributable to the Company's equity holders increased by 20.5% to RMB2,213.0 million for the year ended 29 February 2024.

	Year ended		Growth rate
	29 February 2024	28 February 2023	
Revenue	28,933.2	27,073.2	6.9%
Cost of sales	(16,852.4)	(15,789.0)	6.7%
Gross profit	<u>12,080.8</u>	<u>11,284.2</u>	7.1%
Gross profit margin	<u>41.8%</u>	<u>41.7%</u>	

Unit: RMB million

Cost of sales increased by 6.7% from RMB15,789.0 million for the year ended 28 February 2023 to RMB16,852.4 million for the year ended 29 February 2024. Gross profit of the Group increased by 7.1% to RMB12,080.8 million for the year ended 29 February 2024 from RMB11,284.2 million for the year ended 28 February 2023.

During the year, the gross profit margin of the Group was 41.8%, increased by 0.1 percentage points, from 41.7% for the year ended 28 February 2023. Increase in gross profit margin primarily resulted in the year-on-year narrowed discount offerings of both retail and wholesale business, together with higher revenue mix of retail. As of 29 February 2024, the inventory increased by 0.6% to RMB6,283.8 million as compared with RMB6,247.3 million as at 28 February 2023 and increased by 9.2% half-on-half as compared with 31 August 2023.

Selling and distribution expenses for the year ended 29 February 2024 were RMB8,356.0 million (2023: RMB8,051.9 million), accounting for 28.9% of the Group's revenue (2023: 29.7%). The selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Increase in selling and distribution expenses primarily due to the recovery of the retail environment gradually resulting in an increase in concessionaire and lease expenses, sales personnel salaries and commissions and other store operation expenses.

General and administrative expenses for the year ended 29 February 2024 were RMB1,115.4 million (2023: RMB1,101.4 million), accounting for 3.9% of the Group's revenue (2023: 4.1%). The general and administrative expenses primarily include lease expenses in relation to office premises, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Increase in general and administrative expenses primarily due to increase in other tax expenses and travelling expenses during the year.

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

Finance income increased from RMB104.0 million for the year ended 28 February 2023 to RMB120.0 million for the year ended 29 February 2024. Increase in finance income was mainly attributable to more interest income of bank deposits incurred, as weighted average interest rate of bank deposits for the year ended 29 February 2024 was higher than last year.

Finance costs decreased from RMB212.5 million for the year ended 28 February 2023 to RMB147.3 million for the year ended 29 February 2024, primarily as a result of less interest expenses of short-term borrowings incurred, as the average balance of short-term borrowings for the year ended 29 February 2024 was lower than last year, and decrease in interest expenses on lease liabilities during the year.

Income tax expense for the year ended 29 February 2024 amounted to RMB547.9 million (2023: RMB485.8 million). The effective income tax rate decreased by 1.0 percentage points to 19.9% for the year ended 29 February 2024 from 20.9% for the year ended 28 February 2023 was attributable to the change in the relative profitability of the companies within the Group. The statutory income tax rate for the Group in Mainland China is generally 25% and the Company provided withholding tax provision on the profits retained by the subsidiaries in the PRC.

OTHER INCOME

Other income for the year ended 29 February 2024 amounted to RMB175.9 million (2023: RMB298.5 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. For the year ended 29 February 2024, the total capital expenditure was RMB407.7 million (2023: RMB355.2 million).

BASIC EARNINGS PER SHARE

Basic earnings per share for the year ended 29 February 2024 increased by 20.5% to RMB35.69 cents from RMB29.62 cents for the year ended 28 February 2023.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,213.0 million for the year ended 29 February 2024 (2023: RMB1,836.6 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2023: 6,201,222,024 shares).

		Year ended	
		29 February 2024	28 February 2023
Profit attributable to the Company's equity holders	RMB million	<u>2,213.0</u>	<u>1,836.6</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	thousand of shares	<u>6,201,222</u>	<u>6,201,222</u>
Basic earnings per share	RMB cents	<u>35.69</u>	<u>29.62</u>

LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations decreased by RMB1,512.1 million to RMB3,729.4 million for the year ended 29 February 2024 from RMB5,241.5 million for the year ended 28 February 2023.

Net cash used in investing activities for the year ended 29 February 2024 was RMB198.1 million (2023: net cash used in RMB305.6 million). During the year, the Group invested RMB396.9 million on payments for purchases of property, plant and equipment and intangible assets, RMB2.5 million on payments for acquisition a subsidiary, net of cash acquired and net payment for purchase of financial assets at fair value through profit or loss of RMB25.9 million, offset by proceeds from disposals of property, plant and equipment of RMB2.4 million and interest received of RMB224.8 million.

During the year, net cash used in financing activities was RMB3,332.3 million (2023: net cash used in RMB3,440.3 million), mainly due to the repayments of short-term borrowings of RMB2,535.0 million, placement of short-term pledged bank deposits of RMB372.1 million, payments for lease liabilities (including interest) of RMB1,421.6 million, payments of the 2022/23 final dividend of RMB310.1 million and special dividend of RMB930.2 million and payments of the 2023/24 interim dividend of RMB992.2 million by the Group during the year, partly offset by proceeds from short-term borrowings of RMB1,710.1 million and withdrawal of short-term pledged bank deposits of RMB1,532.0 million.

As at 29 February 2024, the Group held short-term pledged bank deposits and cash and cash equivalents totaling RMB2,082.1 million (2023: RMB3,643.4 million), after netting off the short-term borrowings of RMB720.1 million (2023: RMB1,545.0 million), it was in a net cash position of RMB1,362.0 million (2023: net cash position of RMB2,098.4 million).

GEARING RATIO

As at 29 February 2024, the gearing ratio (net debt (short-term borrowings less bank deposits, cash and cash equivalents) divided by total capital (total equity plus net debt)) of the Group had a net cash position (2023: net cash position) and the aggregate balances of short-term pledged bank deposits and cash and cash equivalents exceeded the total balance of short-term borrowings by RMB1,362.0 million (2023: RMB2,098.4 million).

PLEDGE OF ASSETS

As at 29 February 2024, except for the short-term pledged bank deposits of RMB126.1 million, no assets were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As at 29 February 2024, the Group had no material contingent liabilities.

HUMAN RESOURCES

As at 29 February 2024, the Group had a total of 29,458 employees (2023: 30,978 employees). For the year ended 29 February 2024, total staff cost was RMB2,931.1 million (2023: RMB2,890.5 million), accounting for 10.1% (2023: 10.7%) of the Group's revenue. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

GENERAL INFORMATION

FINAL DIVIDEND AND SPECIAL DIVIDEND

The board of directors of the Company (the “Board”) recommended the payment of a final dividend for the year ended 29 February 2024 of RMB5.00 cents per ordinary share (the “Final Dividend”) (2023: RMB5.00 cents), totaling RMB310.1 million (2023: RMB310.1 million).

For the benefit of the shareholders of the Company, and having considered the financial position of the Company, the Board further recommended the payment of a special dividend of RMB15.00 cents per ordinary share (the “Special Dividend”, together with the Final Dividend, the “Dividends”) (2023: RMB15.00 cents), totaling RMB930.2 million (2023: RMB930.2 million).

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\$1.0648) as quoted by the Hong Kong Association of Banks on Wednesday, 22 May 2024, being the date on which the Dividends are recommended by the Board. Accordingly, the amount of the Final Dividend and Special Dividend are HK\$5.32 cents and HK\$15.97 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.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “AGM”) will be held on Friday, 19 July 2024. The notice of the AGM will be sent to shareholders on Tuesday, 18 June 2024.

The register of members of the Company will be closed as follows:

- (a) For the purpose of ascertaining shareholder’s eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 16 July 2024 to Friday, 19 July 2024 both days inclusive. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 15 July 2024.
- (b) Subject to approval of the shareholders of the Company at the AGM, the Dividends will be payable on or about Thursday, 22 August 2024 to the shareholders whose names appear on the register of members of the Company on Wednesday, 7 August 2024. For the purpose of ascertaining shareholder’s eligibility for the Dividends, the register of members of the Company will be closed from Saturday, 3 August 2024 to Wednesday, 7 August 2024, 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, for registration by no later than 4:30 p.m. on Friday, 2 August 2024.

The address of Computershare Hong Kong Investor Services Limited is Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

CORPORATE GOVERNANCE

The Company's corporate governance practices are based on the principles and code provisions of the Corporate Governance Code, as set out in Appendix C1 to the Listing Rules (the "CG Code"), and the Company has adopted the CG Code as its own corporate governance code.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code during the year ended 29 February 2024, save for code provision C.1.6 and code provision C.2.1 of the CG Code as disclosed in this announcement.

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors shall attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. SHENG Baijiao, a non-executive Director who retired with effect from 21 July 2023, did not attend the annual general meeting held on 21 July 2023 due to other engagements.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") contained in Appendix C3 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. Following specific enquiry, each of the Directors has confirmed compliance with the required standard set out in the Model Code throughout the year ended 29 February 2024.

AUDIT COMMITTEE

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

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

The Audit Committee and the external auditor have reviewed the audited consolidated financial statements of the Group for the year ended 29 February 2024. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

SCOPE OF WORK OF THE AUDITOR ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated balance sheet, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 29 February 2024 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

REMUNERATION COMMITTEE

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

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

- making recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;
- making recommendations to the Board on the terms of specific remuneration packages of the Directors and senior management; and
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Directors from time to time.

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

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

NOMINATION COMMITTEE

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

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

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

During the year and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

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

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

Hong Kong, 22 May 2024

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

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