

**TOPSPORTS 滔搏**

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

Interim Report

**2019/20**

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# CORPORATE INFORMATION

## Board of Directors

### Chairman

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

### Executive Director

Mr. YU Wu (*Chief Executive Officer*)

### Non-executive Directors

Mr. SHENG Fang  
Mr. CHOW Kyan Mervyn  
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. CHOW Kyan Mervyn  
Mr. LEUNG Kam Kwan

### 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

10/F Belle Tower  
918 Cheung Sha Wan Road  
Cheung Sha Wan  
Kowloon, 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](http://www.topsports.com.cn)

## Auditor

PricewaterhouseCoopers  
*Certified Public Accountants*  
22/F Prince's Building  
Central  
Hong Kong

## Legal Advisor

Cleary Gottlieb Steen & Hamilton  
(Hong Kong)  
37<sup>th</sup> 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  
17 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	
		2019	2018
Revenue	RMB million	<b>16,957.6</b>	15,092.8
Gross profit	RMB million	<b>7,409.7</b>	6,463.6
Operating profit	RMB million	<b>2,092.2</b>	1,777.8
Profit attributable to the Company's equity holders	RMB million	<b>1,470.9</b>	1,214.1
Non-IFRS Measure – Adjusted operating profit <sup>(1)</sup>	RMB million	<b>2,160.7</b>	1,795.6
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders <sup>(1)</sup>	RMB million	<b>1,535.0</b>	1,227.5
Gross profit margin	%	<b>43.7</b>	42.8
Operating profit margin	%	<b>12.3</b>	11.8
Profit margin attributable to the Company's equity holders	%	<b>8.7</b>	8.0
Non-IFRS Measure – Adjusted operating profit margin	%	<b>12.7</b>	11.9
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	%	<b>9.1</b>	8.1
Earnings per share – basic and diluted <sup>(2)</sup>	RMB cents	<b>27.91</b>	23.03
Adjusted earnings per share – basic and diluted, for illustrative purpose <sup>(2)</sup>	RMB cents	<b>23.72</b>	19.58
Interim dividend per share	RMB cents	<b>12.00</b>	N/A
Average trade receivables turnover period	days	<b>25.1</b>	29.3
Average trade payables turnover period	days	<b>12.8</b>	12.6
Average inventory turnover period	days	<b>122.7</b>	112.1
		Unaudited As at 31 August 2019	Audited As at 28 February 2019
Gearing ratio	%	<b>28.3</b>	25.0
Current ratio	times	<b>1.0</b>	0.9

# FINANCIAL HIGHLIGHTS

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## Notes:

- (1) Our adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with IFRS, and they are considered as non-IFRS financial measures. The adjusted operating profit and adjusted profit attributable to the Company's equity holders are adjusted by adding back the effect of listing expenses and the amortization of our intangible assets arising from business combination. We believe that this information is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow, and it allows investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measures a substitute for or superior to our IFRS results.
- (2) Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB1,470.9 million for the six months ended 31 August 2019 (six months ended 31 August 2018: RMB1,214.1 million) by the weighted average number of ordinary shares of the Company in issue after the Capitalization Issue (as defined in the prospectus of the Company dated 26 September 2019 (the "Prospectus") and before completion of the Global Offering (as defined in the Prospectus), which amounted to 5,271,038,024 shares, taking into account the effect of the Capitalization Issue. The basic and diluted earnings per share does not and is not required to account for the 930,184,000 new shares issued pursuant to the Global Offering of the Company on 10 October 2019. For illustrative purpose and provide with more relevant information for investors, the adjusted earnings per shares is calculated by dividing profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue after the Capitalization Issue and completion of the Global Offering, which amounted to 6,201,222,024 shares, taking into account 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 THE CEO

## Dear Shareholders,

During the six months ended 31 August 2019 (the “First Half of the Financial Year ending 29 February 2020”), Topsports continued to consolidate its leading position in the industry by focusing on our mission of “breaking boundaries through sports and inspire limitless possibilities”, in order to enhance our ability to engage consumers and together with our brand partners, provide better products and services to Chinese sports consumers.

## BUSINESS MODEL AND OPERATING ENVIRONMENT

In the First Half of the Financial Year ending 29 February 2020, we further developed our consumer-centric sportswear retail and service platform. In addition to continuously improving the platform itself to provide superior sportswear products, we made strides to develop our differentiated service capability and continued to broaden our consumer reach and expand the breadth and depth of our engagement with consumers.

The nationwide retail network we operate directly helps us engage with and serve millions of consumers every day. Through years of hard work, we have built local, community-level relationships with consumers, which enable us to develop consumer and market insights and provide them with better services.

We have continuously enriched the content and services on our platform by experimenting with and leveraging our extensive and deeply penetrating store network across the country and in various city-tiers. For example, we use widely used social media and instant messaging tools to actively explore new ways of consumer engagement and service, with an aim to integrate high quality physical and digital consumer relationships in a high quality way and satisfy the sports lifestyle needs of our consumers in more dimensions.

With the sustained and strong growth of China’s economy over the years, China’s national regular sports participation rate increased from 14.7% in 2014 to 18.7% in 2018, and this growth trend has been prevalent across all age groups highlighting the overall increase in China’s sports participation. At the same time, China’s central government has, in various occasions, promulgated a series of favorable policies to support the country’s sports industry, such as the “Opinions on Promoting the National Fitness and Sports Consumption to Promote High-Quality Development of the Sports Industry” (關於促進全民健身和體育消費推動體育產業高質量發展的意見) issued by the State Council on 17 September 2019. We are optimistic about the overall development of China’s sports market and look forward to embracing the positive changes in the market by continuously improving our operational capabilities and expanding the diversity and professionalism of our products and services provided to consumers.

## FINANCIAL RESULTS HIGHLIGHT

On behalf of the Company, I hereby report the results for the First Half of the Financial Year ending 29 February 2020 as follows:

During the First Half of the Financial Year ending 29 February 2020, our total revenue increased by 12.4% to RMB16,957.6 million as compared to the same period of last year, our operating profit increased by 17.7% to RMB2,092.2 million as compared to the same period of last year, and our adjusted operating profit increased by 20.3% as compared to the same period of last year. The profit attributable to the Company’s equity holders was RMB1,470.9 million, increased by 21.2% as compared to the same period of last year, and the adjusted profit attributable to the Company’s equity holders increased by 25.1% as compared to the same period of last year. Based on the number of shares in issue at the end of the First Half of the Financial Year ending 29 February 2020, the basic earnings per share was RMB27.91 cents, increased by 21.2% as compared to the same period of last year. Based on the total number of shares in issue after completion of the initial public offering of the Company in October 2019, the basic earnings per share was RMB23.72 cents.

The Board has resolved to declare an interim dividend of RMB12.00 cents per ordinary share for the Financial Year ending 29 February 2020.

# STATEMENT FROM THE CEO

## BUSINESS REVIEW

In the First Half of the Financial Year ending 29 February 2020, we recorded a steady growth in terms of the number of stores and members, revenue and profit. We also fostered closer digital relationships with our consumers through our membership program while expanding and optimizing our physical store network. As the direction of our technological exploration become clearer, we will continue to promote our digital transformation, enhance our store-based online community, and deepen our integration of online and offline consumer interactions.

### 1. Retail Network Pruning and Optimization

We constantly assess and optimize our retail network, and have recently been closing low-productivity and loss-making stores. In terms of store count, we recorded a net increase of 22 stores in the six months ended on 31 August 2019, with gross selling area increasing by 5.2%, while recorded a net decrease of 223 stores as compared with 31 August 2018, with gross selling area increasing by 6.8%. The store pruning and optimization is approaching its end, through which we have consolidated our retail network advantage. In the future, while prudently opening new stores, we will continue to proactively transform and upgrade the stores with proven higher sales potential to create better store services and experiences.

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

	2017		As of 28 February 2018		2019		As of 31 August 2019	
		%		%		%		%
Store size:								
150 sq.m or smaller	5,918	77.8%	6,268	75.5%	5,947	71.3%	<b>5,859</b>	<b>70.0%</b>
Between 150 and 300 sq.m	1,487	19.6%	1,779	21.4%	1,978	23.7%	<b>1,961</b>	<b>23.5%</b>
Larger than 300 sq.m	200	2.6%	255	3.1%	418	5.0%	<b>545</b>	<b>6.5%</b>
Total	<u>7,605</u>	<u>100.0%</u>	<u>8,302</u>	<u>100.0%</u>	<u>8,343</u>	<u>100.0%</u>	<b><u>8,365</u></b>	<b><u>100.0%</u></b>

# STATEMENT FROM THE CEO

## BUSINESS REVIEW (continued)

### 2. Continuous Development of Our Membership Program

In the past six months, through continuously enriching our member benefits, we have further enhanced our engagement with consumers. Our cumulative number of enrolled members as well as the number of active purchasing members have steadily increased. As of 31 August 2019, our cumulative number of enrolled members reached 21.2 million, and during the quarters as of 31 May and 31 August 2019, the number of active purchasing members was 5.1 million and 5.9 million, respectively. The continued expansion of our membership program not only helps us serve our consumers in more dimensions and across a wider range, but also enables us to continue to enhance our understanding of consumers.

	As of			
	30 November 2018	28 February 2019	31 May 2019	31 August 2019
Cumulative number of our enrolled members	11.9	14.2	17.4	<b>21.2</b>
Number of active purchasing members during the quarter ended	2.6	3.5	5.1	<b>5.9</b>
Total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	41.5%	52.3%	70.8%	<b>81.4%</b>

Unit: Million

### 3. Deepen Technology-Enabled Initiatives

In the six months ended 31 August 2019, we accelerated the pace of our digital transformation, continuing the implementation of our technology-enabled initiatives across all aspects of business operations. We also improved our operational efficiency and enhanced consumer and market insights by leveraging new technology tools and measures. For example, we used mobile digital toolkits to empower our front-line employees to conduct real-time operational adjustments, reduce their operational burden and increase their efficiency, thereby allowing them to focus on serving our customers; at the same time, we continued to develop the store-based online communities in certain pilot stores from our retail network, continued the in-depth integration of our online and offline consumer interactions, and continued our active exploration on how to improve the service capability of our individual stores and reach our customers beyond the physical boundaries of stores.



# STATEMENT FROM THE CEO

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## OUTLOOK

Our growth measures mainly include:

- Accelerate our digital transformation
- Expand and continuously upgrade our store network
- Drive deeper integration between digital and physical consumer engagement
- Expand our brand offerings and deepen collaboration with brand partners

## APPRECIATION

I would like to express my sincere gratitude on behalf of the Company to our consumers, employees, brands and other partners for their trust in support of Topsports. We are confident in the development and opportunities of the sports market in the future. All our employees and our management are prepared and looking forward to continuing to create long-term value for our consumers, shareholders and all partners.

**YU Wu**

*Chief Executive Officer*

Hong Kong, 23 October 2019

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

During the six months ended 31 August 2019, the Group recorded revenue of RMB16,957.6 million, an increase of 12.4% compared with the same period of last year. The Group recorded operating profit of RMB2,092.2 million, an increase of 17.7% compared with the same period of last year. The profit attributable to the Company's equity holders during the period under review amounted to RMB1,470.9 million, an increase of 21.2% compared with the same period of last year.

During the six months ended 31 August 2019, the Group recorded adjusted operating profit of RMB2,160.7 million, an increase of 20.3% compared with the same period of last year. The adjusted operating profit is adjusted by adding back the effect of listing expenses at RMB50.7 million (six months ended 31 August 2018: nil) and the amortization of intangible assets arising from business combination at RMB17.8 million (six months ended 31 August 2018: RMB17.8 million).

During the six months ended 31 August 2019, the Group recorded adjusted profit attributable to the Company's equity holders of RMB1,535.0 million, an increase of 25.1% 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 listing expenses at RMB50.7 million (six months ended 31 August 2018: nil) and the amortization of intangible assets arising from business combination, net of deferred tax at RMB13.4 million (six months ended 31 August 2018: RMB13.4 million).

## REVENUE

The Group's revenue increased by 12.4%, from RMB15,092.8 million for the six months ended 31 August 2018 to RMB16,957.6 million for the six months ended 31 August 2019. The growth was mainly due to further enhancement of our store performance and growth in the gross selling area of our directly operated stores. The following table sets forth a breakdown of our revenue from sale of goods by brand categories and concessionaire fee income for the periods indicated:

	Six months ended 31 August				Growth rate
	2019		2018		
	Revenue	% of total	Revenue	% of total	
Principal brands*	<b>14,895.6</b>	<b>87.9%</b>	13,450.1	89.1%	10.7%
Other brands*	<b>1,922.7</b>	<b>11.3%</b>	1,508.3	10.0%	27.5%
Concessionaire fee income	<b>139.3</b>	<b>0.8%</b>	134.4	0.9%	3.6%
Total	<b>16,957.6</b>	<b>100.0%</b>	15,092.8	100.0%	12.4%

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 and concessionaire fee income for the periods indicated:

	Six months ended 31 August		2018		Growth rate
	2019		Revenue	% of total	
	Revenue	% of total	Revenue	% of total	
Retail operations	<b>14,684.5</b>	<b>86.6%</b>	13,144.6	87.1%	11.7%
Wholesales operations	<b>2,133.8</b>	<b>12.6%</b>	1,813.8	12.0%	17.6%
Concessionaire fee income	<b>139.3</b>	<b>0.8%</b>	134.4	0.9%	3.6%
<b>Total</b>	<b>16,957.6</b>	<b>100.0%</b>	15,092.8	100.0%	12.4%

Unit: RMB million

## PROFITABILITY

The Group's operating profit increased by 17.7% to RMB2,092.2 million for the six months ended 31 August 2019. The profit attributable to the Company's equity holders increased by 21.2% to RMB1,470.9 million for the six months ended 31 August 2019.

	Six months ended 31 August		Growth rate
	2019	2018	
Revenue	<b>16,957.6</b>	15,092.8	12.4%
Cost of sales	<b>(9,547.9)</b>	(8,629.2)	10.6%
Gross Profit	<b>7,409.7</b>	6,463.6	14.6%
Gross profit margin	<b>43.7%</b>	42.8%	

Unit: RMB million

Cost of sales increased by 10.6% from RMB8,629.2 million for the six months ended 31 August 2018 to RMB9,547.9 million for the six months ended 31 August 2019. Gross profit increased by 14.6% to RMB7,409.7 million for the six months ended 31 August 2019 from RMB6,463.6 million for the six months ended 31 August 2018.

During the period under review, the gross profit margin of the Group was 43.7%, increased by 0.9 percentage points, from 42.8% for the six months ended 31 August 2018.

Selling and distribution expenses for the six months ended 31 August 2019 were RMB4,727.8 million (six months ended 31 August 2018: RMB4,204.7 million), accounting for 27.9% of our revenue (six months ended 31 August 2018: 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PROFITABILITY (continued)

General and administrative expenses for the six months ended 31 August 2019 were RMB721.5 million (six months ended 31 August 2018: RMB610.7 million), accounting for 4.3% of our revenue (six months ended 31 August 2018: 4.0%). 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, other expenses and listing expenses. Increase in general and administrative expenses primarily due to the listing expenses of RMB50.7 million recorded during the six months ended 31 August 2019 while no such expenses for the same period of last year.

Finance income slightly decreased from RMB7.5 million for the six months ended 31 August 2018 to RMB6.5 million for the six months ended 31 August 2019. It was mainly due to decrease in bank deposits during the period under review.

Finance costs increased from RMB93.9 million for the six months ended 31 August 2018 to RMB118.2 million for the six months ended 31 August 2019, primarily as a result of (i) an increase in interest expense on our lease liabilities, as our previously opened new stores under lease agreements resulted in higher lease liabilities; and (ii) an increase in interest expense on our short-term bank borrowings.

Income tax expense for the six months ended 31 August 2019 amounted to RMB509.6 million (six months ended 31 August 2018: RMB477.3 million). The effective income tax rate decreased by 2.5 percentage points to 25.7% for the six months ended 31 August 2019 from 28.2% for the six months ended 31 August 2018, primarily due to the fact that we provided withholding tax provision on the profits generated by our subsidiaries in the People's Republic of China (the "PRC") based on our latest dividend policy of approximately 50% whereas full provision was provided for the same period of last year, resulting in a decrease in income tax expenses. 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 2019 amounted to RMB131.8 million (six months ended 31 August 2018: RMB152.3 million) mainly consists of government incentives.

## CAPITAL EXPENDITURE

The Group's capital expenditures primarily comprised of expenditures for plant and equipment and intangible assets. During the six months ended 31 August 2019, the total capital expenditure was RMB261.6 million (six months ended 31 August 2018: RMB272.3 million).

## NON-IFRS MEASURES

Our adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with IFRS, and they are considered as non-IFRS financial measures. We believe that this information is useful for investors in comparing our performance without regard to items that do not affect our ongoing operating performance or cash flow, and it allows investors to consider metrics used by our management in evaluating our performance. Investors should not consider our non-IFRS financial measure a substitute for or superior to our IFRS results.

# MANAGEMENT DISCUSSION AND ANALYSIS

## NON-IFRS MEASURES (continued)

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	
	2019	2018
Operating profit	2,092.2	1,777.8
Adding back:		
Listing expenses <sup>(1)</sup>	50.7	–
Amortization of intangible assets arising from business combination <sup>(2)</sup>	17.8	17.8
<b>Non-IFRS Measure – Adjusted operating profit</b>	<b>2,160.7</b>	<b>1,795.6</b>
Profit attributable to the Company's equity holders	1,470.9	1,214.1
Adding back:		
Listing expenses <sup>(1)</sup>	50.7	–
Amortization of intangible assets arising from business combination, net of deferred tax <sup>(2)</sup>	13.4	13.4
<b>Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders</b>	<b>1,535.0</b>	<b>1,227.5</b>

Unit: RMB million

Non-IFRS Measure – Adjusted operating profit margin	12.7%	11.9%
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	9.1%	8.1%

Notes:

- (1) We incurred RMB50.7 million of listing expenses for the six months ended 31 August 2019 which were recognized as expenses (six months ended 31 August 2018: nil).
- (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 are expected to be fully amortized by 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 2019 increased by 21.2% to RMB27.91 cents from RMB23.03 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 RMB1,470.9 million for the six months ended 31 August 2019 (six months ended 31 August 2018: RMB1,214.1 million) by the weighted average number of ordinary shares of the Company in issue after the Capitalization Issue (as defined in Prospectus) and before completion of the Global Offering (as defined in the Prospectus), which amounted to 5,271,038,024 shares, taking into account the effect of the Capitalization Issue.

The above basic and diluted earnings per share does not and is not required to account for the 930,184,000 new shares issued pursuant to the Global Offering of the Company on 10 October 2019. As if these new shares been issued throughout the periods under review, our basic and diluted earnings per share, for illustrative purpose, is as follows:

		Six months ended 31 August	
		2019	2018
Profit for the period attributable to the Company's equity holders	<i>RMB million</i>	<b>1,470.9</b>	1,214.1
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<i>thousand of shares</i>	<b>5,271,038</b>	5,271,038
As if 930,184,000 new shares have been issued throughout the period	<i>thousand of shares</i>	<b>930,184</b>	930,184
	<i>thousand of shares</i>	<b>6,201,222</b>	6,201,222
Adjusted basic and diluted earnings per share, for illustrative purpose	<i>RMB cents</i>	<b>23.72</b>	19.58

## LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, net cash generated from operations increased by RMB666.4 million to RMB2,490.8 million for the six months ended 31 August 2019 from RMB1,824.4 million for the six months ended 31 August 2018.

Net cash used in investing activities for the six months ended 31 August 2019 was RMB256.4 million (six months ended 31 August 2018: RMB750.2 million). During the period under review, the Group invested RMB271.4 million on payments for purchases of property, plant and equipment and intangible assets, partly offset by proceeds from disposals of property, plant and equipment of RMB8.5 million and interest received of RMB6.5 million.

During the period under review, net cash used in financing activities was RMB3,056.0 million (six months ended 31 August 2018: RMB594.1 million), mainly attributable to the repayment of borrowings of RMB400.0 million, payment for lease liabilities (including interest) of RMB890.0 million, payments of the 2018/19 interim dividend of RMB1,598.0 million and changes in balances with related companies of RMB144.9 million by the Group during the period.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 31 August 2019, the Group held bank balances and cash totaling RMB631.5 million, after netting off the short-term bank borrowings of RMB1,982.5 million, it was in a net debt position of RMB1,351.0 million. As at 28 February 2019, the Group held bank balances and cash totaling RMB650.5 million, after netting off the short-term bank borrowings of RMB1,300.0 million, it was in a net debt position of RMB649.5 million.

## **GEARING RATIO**

The gearing ratio (equals net debt divided by total capital (total equity plus net debt)) of the Group increased from 25.0% as at 28 February 2019 to 28.3% as at 31 August 2019. It was primarily due to increase in short-term bank borrowings, increased by 52.5% to RMB1,982.5 million as at 31 August 2019 from RMB1,300.0 million as at 28 February 2019.

## **PLEDGE OF ASSETS**

As at 31 August 2019, no assets were pledged as security for banking facilities available to the Group.

For further details of the security granted by the Company over certain of the Company's undertakings and assets of and shares in the subsidiaries of the Company, which was released on the Listing Date (i.e. 10 October 2019), please refer to the section headed "History, Reorganization and Corporate Structure – Prior Listing of Belle International on the Stock Exchange and Subsequent Delisting" in the Prospectus.

## **CONTINGENT LIABILITIES**

As at 31 August 2019, 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 2019.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 August 2019, the Group did not have any plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

For the six months ended 31 August 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **HUMAN RESOURCES**

As at 31 August 2019, the Group had a total of 38,726 employees (28 February 2019: 38,613 employees). During the six months ended 31 August 2019, total staff cost was RMB1,622.6 million (six months ended 31 August 2018: RMB1,496.7 million), accounting for 9.6% (six months ended 31 August 2018: 9.9%) 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 Group's functional currency. 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

The board of directors of the Company (the "Board") has resolved to declare an interim dividend of RMB12.00 cents per ordinary share, totaling RMB744.1 million for the six months ended 31 August 2019. The interim dividend will be paid on or about Tuesday, 10 December 2019 to members whose names appear on the register of members of the Company on Thursday, 28 November 2019.

The actual exchange rate for the purpose of dividend payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK\$1.0953) as quoted by the Hong Kong Association of Banks on Wednesday, 23 October 2019, being the date on which the interim dividend is declared by the Board. Accordingly, the amount of the interim dividend is HK\$13.14 cents per ordinary share.

## CLOSURE OF REGISTER OF MEMBERS

The interim dividend will be paid on or about Tuesday, 10 December 2019 to the shareholders whose names appear on the register of members of the Company on Thursday, 28 November 2019. The register of members of the Company will be closed from Tuesday, 26 November 2019 to Thursday, 28 November 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned interim dividend, 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 Monday, 25 November 2019.

## SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Pursuant to the written resolutions passed by the then sole shareholder of the Company on 6 September 2019, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the Offer Shares (as defined in the Prospectus) pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 5,271,038,023 Shares credited as fully paid at par value to the Shareholder whose name appears on the register of members of the Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (i.e. 9 October 2019) by way of capitalization of the sum of HK\$5,271.038023 standing to the credit of the share premium account of the Company.

On the Listing Date, 930,184,000 Shares of HK\$0.000001 each were issued at a price of HK\$8.5 per Share in connection with the Company's share offering and listing of its Shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Saved as disclosed above, there are no other significant events subsequent to 31 August 2019 which would materially affect the Group's operating and financial performance as of the date of this report.



# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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## 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 17 to 35, which comprises the condensed consolidated balance sheet of Topsports International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 31 August 2019 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".

### OTHER MATTER

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at 28 February 2019. The comparative information for the interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 31 August 2018 has not been audited or reviewed.

### **PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 23 October 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 August 2019

	Note	Unaudited	
		Six months ended 31 August 2019	2018
		RMB million	RMB million
<b>Revenue</b>	6	<b>16,957.6</b>	15,092.8
Cost of sales	8	<b>(9,547.9)</b>	(8,629.2)
<b>Gross profit</b>		<b>7,409.7</b>	6,463.6
Selling and distribution expenses	8	<b>(4,727.8)</b>	(4,204.7)
General and administrative expenses	8	<b>(721.5)</b>	(610.7)
Impairment of trade receivables	16	–	(22.7)
Other income	7	<b>131.8</b>	152.3
<b>Operating profit</b>		<b>2,092.2</b>	1,777.8
Finance income		<b>6.5</b>	7.5
Finance costs		<b>(118.2)</b>	(93.9)
Finance costs, net	9	<b>(111.7)</b>	(86.4)
<b>Profit before income tax</b>		<b>1,980.5</b>	1,691.4
Income tax expense	10	<b>(509.6)</b>	(477.3)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>1,470.9</b>	1,214.1
<b>Earnings per share for profit attributable to equity holders of the Company during the period</b>		<b>RMB cents</b>	RMB cents
<b>Basic and diluted earnings per share</b>	11	<b>27.91</b>	23.03

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 2019

	Unaudited Six months ended 31 August	
	2019	2018
	RMB million	RMB million
<b>Profit for the period attributable to equity holders of the Company</b>	<b>1,470.9</b>	1,214.1
<b>Other comprehensive income</b>		
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences	<b>2.3</b>	–
<b>Total comprehensive income for the period attributable to equity holders of the Company</b>	<b>1,473.2</b>	1,214.1

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 2019

	Note	Unaudited As at 31 August 2019 RMB million	Audited As at 28 February 2019 RMB million
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	997.0	1,115.6
Right-of-use assets	14(a)	3,271.9	3,451.8
Intangible assets	13	1,127.1	1,144.8
Long-term deposits, prepayments and other receivables	15	258.8	214.9
Deferred income tax assets		196.3	128.4
		<b>5,851.1</b>	6,055.5
<b>Current assets</b>			
Inventories		6,598.4	6,138.7
Trade receivables	16	2,105.6	2,517.8
Deposits, prepayments and other receivables	15	1,265.8	801.9
Amounts due from related companies	22	–	52.0
Bank balances and cash	17	631.5	650.5
		<b>10,601.3</b>	10,160.9
<b>Total assets</b>		<b>16,452.4</b>	16,216.4
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		74.7	127.3
Lease liabilities	14(b)	2,092.0	2,301.1
		<b>2,166.7</b>	2,428.4
<b>Current liabilities</b>			
Trade payables	18	686.0	642.0
Other payables, accruals and other liabilities		1,165.4	1,434.9
Amounts due to related companies	22	3,363.3	3,560.2
Dividend payable	12	1,902.0	3,500.0
Short-term borrowings	19	1,982.5	1,300.0
Lease liabilities	14(b)	1,011.0	999.8
Current income tax liabilities		752.5	402.3
		<b>10,862.7</b>	11,839.2
<b>Total liabilities</b>		<b>13,029.4</b>	14,267.6
<b>Net assets</b>		<b>3,423.0</b>	1,948.8

# CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2019

	Note	Unaudited As at 31 August 2019 RMB million	Audited As at 28 February 2019 RMB million
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	–	–
Other reserves		<b>1,487.1</b>	1,458.0
Retained earnings		<b>1,935.9</b>	490.8
<b>Total equity</b>		<b>3,423.0</b>	1,948.8

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

The condensed consolidated interim financial information on pages 17 to 35 was approved by the Board of Directors on 23 October 2019 and signed on its behalf by:

**SHENG Baijiao**  
Director

**YU Wu**  
Director

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2019

	Unaudited			
	Attributable to equity holders of the Company			
	Share capital	Other reserves	Retained earnings	Total equity
	RMB million	RMB million	RMB million	RMB million
<b>For the six months ended 31 August 2019</b>				
<b>At 1 March 2019</b>	–	<b>1,458.0</b>	<b>490.8</b>	<b>1,948.8</b>
Comprehensive income:				
Profit for the period	–	–	<b>1,470.9</b>	<b>1,470.9</b>
Other comprehensive income:				
Exchange difference	–	<b>2.3</b>	–	<b>2.3</b>
Total comprehensive income for the period	–	<b>2.3</b>	<b>1,470.9</b>	<b>1,473.2</b>
Other contributions from Belle International Holdings Limited (“Belle International”)	–	<b>1.0</b>	–	<b>1.0</b>
Appropriation to statutory reserves	–	<b>25.8</b>	<b>(25.8)</b>	–
<b>Total transactions with equity holders</b>	–	<b>26.8</b>	<b>(25.8)</b>	<b>1.0</b>
<b>At 31 August 2019</b>	–	<b>1,487.1</b>	<b>1,935.9</b>	<b>3,423.0</b>
For the six months ended 31 August 2018				
At 1 March 2018	–	1,365.7	2,415.7	3,781.4
Comprehensive income:				
Profit for the period	–	–	1,214.1	1,214.1
Total comprehensive income for the period	–	–	1,214.1	1,214.1
Appropriation to statutory reserves	–	36.8	(36.8)	–
Dividends (Note 12)	–	–	(574.3)	(574.3)
Total transactions with equity holders	–	36.8	(611.1)	(574.3)
At 31 August 2018	–	1,402.5	3,018.7	4,421.2

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 2019

	Note	Unaudited Six months ended 31 August	
		2019 RMB million	2018 RMB million
<b>Cash flows from operating activities</b>			
Net cash generated from operations		<b>2,490.8</b>	1,824.4
Income tax paid		<b>(279.9)</b>	(725.8)
<b>Net cash generated from operating activities</b>		<b>2,210.9</b>	1,098.6
<b>Cash flows from investing activities</b>			
Payments for purchases of property, plant and equipment and intangible assets		<b>(271.4)</b>	(280.7)
Proceeds from disposals of property, plant and equipment		<b>8.5</b>	6.7
Payments for acquisition of a business		–	(83.7)
Placement of structured bank deposits		–	(400.0)
Interest received		<b>6.5</b>	7.5
<b>Net cash used in investing activities</b>		<b>(256.4)</b>	(750.2)
<b>Cash flows from financing activities</b>			
Repayments of borrowings		<b>(400.0)</b>	–
Payment for lease liabilities (including interest)		<b>(890.0)</b>	(693.2)
Dividends paid		<b>(1,598.0)</b>	–
Changes in balances with related companies		<b>(144.9)</b>	686.6
Interest paid for bank borrowings		<b>(23.1)</b>	(13.2)
Dividends paid to then equity holders		–	(574.3)
<b>Net cash used in financing activities</b>		<b>(3,056.0)</b>	(594.1)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,101.5)</b>	(245.7)
Cash and cash equivalents at beginning of the period		<b>450.5</b>	63.6
<b>Cash and cash equivalents at end of the period</b>		<b>(651.0)</b>	(182.1)
<b>Cash and cash equivalents comprise of:</b>			
Bank balances and cash	17	<b>631.5</b>	717.9
Bank overdrafts	19	<b>(1,282.5)</b>	(900.0)
		<b>(651.0)</b>	(182.1)

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

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 Company was incorporated in the Cayman Islands on 5 September 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. 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 address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

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 2019, 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 (“RMB 0.1 million”) except when otherwise indicated.

The condensed consolidated interim financial information for the six months ended 31 August 2019 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 23 October 2019.

## 2 Basis of preparation and accounting policies

This condensed consolidated interim financial information for the six months ended 31 August 2019 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and should be read in conjunction with the Group’s financial information for the year ended 28 February 2019 as set out in the accountant’s report (the “Accountant’s Report”) included in Appendix I to the prospectus of the Company in connection with the initial public offering of the Company’s shares on the Main Board of the Stock Exchange dated 26 September 2019.

As at 31 August 2019, the Group’s current liabilities exceeded its current assets by RMB261.4 million, which included a dividend payable to the then sole shareholder of the Company amounting to RMB1,902.0 million. In preparing this condensed consolidated interim financial information, the directors have taken into account the projected future performance of the Group, its unused banking facilities and other available sources of financing, and concluded that the Group has sufficient financial resources to continue in operational existence for the foreseeable future and are therefore satisfied that it is appropriate to prepare this condensed consolidated interim financial information on a going concern basis.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 2 Basis of preparation and accounting policies (continued)

### (a) Effect of adopting new standard, amendments to standards and interpretation

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the preparation of the Accountant's Report. All of the new standards, amendments to standards, and interpretations that are effective on 1 March 2019 have been adopted by the Group throughout the years ended 28 February 2017, 2018 and 2019 and the three months ended 31 May 2019 as set out in the Accountant's Report.

### (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 2019 and have not been early adopted by the Group:

Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associates or joint venture <sup>(3)</sup>
IFRS 17	Insurance contracts <sup>(2)</sup>
Amendment to IAS 1 and IAS 8	Definition of material <sup>(1)</sup>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>(1)</sup>
Amendments to IFRS 3	Definition of a business <sup>(1)</sup>

(1) Effective for the Group for annual period beginning on 1 March 2020.

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

(3) Effective date to be determined.

The Company's directors have performed an assessment on these new standards and amendments to standards, and have concluded on a preliminary basis that the adoption of these new standards and amendments to standards is not expected to have a significant impact on the Group's financial performance and position.

### (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 used in the Accountant's Report.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 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 financial information as set out in the Accountant's Report.

There have been no changes in the risk management policies since 28 February 2019.

### 4.2 Fair value estimation

As at 31 August 2019 and 28 February 2019, the Group did not have any significant financial assets or financial liabilities in the balance sheet which are measured at fair value.

## 5 Segment information

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

The chief operating decision-maker ("CODM") has been identified as the executive director. 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 2019 and 28 February 2019, substantially all of the non-current assets of the Group were located in the PRC.

## 6 Revenue

	Six months ended 31 August	
	2019	2018
	RMB million	RMB million
Sale of goods recognized at a point in time	<b>16,818.3</b>	14,958.4
Concessionaire fee income	<b>139.3</b>	134.4
	<b>16,957.6</b>	15,092.8

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 7 Other income

	Six months ended 31 August	
	2019 RMB million	2018 RMB million
Government incentives (note)	<b>122.7</b>	151.8
Rental income	–	0.5
Others	<b>9.1</b>	–
	<b>131.8</b>	152.3

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

## 8 Expenses by nature

	Six months ended 31 August	
	2019 RMB million	2018 RMB million
Cost of inventories recognized as expenses included in cost of sales	<b>9,547.9</b>	8,629.2
Staff costs	<b>1,622.6</b>	1,496.7
Lease expenses (mainly including concessionaire fee)	<b>1,626.0</b>	1,520.4
Depreciation on property, plant and equipment (Note 13)	<b>354.9</b>	296.7
Depreciation on right-of-use assets (Note 14(a))	<b>779.1</b>	625.8
Amortization of intangible assets (Note 13)	<b>27.0</b>	17.8
Write-off of property, plant and equipment	<b>5.9</b>	2.2
Loss/(gain) on disposal of property, plant and equipment	<b>2.6</b>	(0.8)
Other tax expenses	<b>85.4</b>	70.1
Listing expenses	<b>50.7</b>	–
Others	<b>895.1</b>	786.5
Total cost of sales, selling and distribution expenses and general and administrative expenses	<b>14,997.2</b>	13,444.6

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 9 Finance costs, net

	Six months ended 31 August	
	2019 RMB million	2018 RMB million
Interest income from bank deposits	6.5	3.9
Interest income from structured bank deposits	–	3.6
Finance income	6.5	7.5
Interest expense on short-term bank borrowings	(23.1)	(13.2)
Interest expense on lease liabilities (Note 14(b))	(95.1)	(80.7)
Finance costs	(118.2)	(93.9)
Finance costs, net	(111.7)	(86.4)

## 10 Income tax expense

	Six months ended 31 August	
	2019 RMB million	2018 RMB million
Current income tax – PRC corporate income tax		
– Current period	543.3	470.3
– Under/(over)-provision in prior years	0.9	(1.4)
– Withholding tax on dividends	85.9	1.3
Deferred income taxes	(120.5)	7.1
	509.6	477.3

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 2018: 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, substantially all of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 31 August 2018: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 15% to 20% and other preferential tax treatments (six months ended 31 August 2018: same).

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	
		2019	2018
Profit for the period attributable to equity holders of the Company	RMB million	<b>1,470.9</b>	1,214.1
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	thousand of shares	<b>5,271,038</b>	5,271,038
Basic earnings per share	RMB cents	<b>27.91</b>	23.03

Note: The weighted average number of ordinary shares for the purposes of basic earnings per share for the six months ended 31 August 2019 and 31 August 2018 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 2019, 1 March 2019, 31 August 2018 and 1 March 2018.

## 12 Dividends

During the six months ended 31 August 2018, dividends of RMB574.3 million were declared by certain companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this condensed consolidated interim financial information.

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 28 February 2019 and 31 August 2019, the dividend remained payable amounting to RMB3,500.0 million and RMB1,902.0 million respectively.

At a meeting held on 23 October 2019, the directors declared an interim dividend of RMB12.0 cents per ordinary share (totaling RMB744.1 million) for the year ending 29 February 2020, which will be paid and reflected as an appropriation of retained earnings for the year ending 29 February 2020.

# 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	Total RMB million
<b>Net book value as at 1 March 2019</b>	<b>1,115.6</b>	<b>1,002.4</b>	<b>142.4</b>	<b>1,144.8</b>	<b>2,260.4</b>
Additions	252.3	-	9.3	9.3	261.6
Depreciation/amortization	(354.9)	-	(27.0)	(27.0)	(381.9)
Disposals/write-off	(16.0)	-	-	-	(16.0)
<b>Net book value as at 31 August 2019</b>	<b>997.0</b>	<b>1,002.4</b>	<b>124.7</b>	<b>1,127.1</b>	<b>2,124.1</b>
<b>Net book value as at 1 March 2018</b>	980.4	1,002.4	74.1	1,076.5	2,056.9
Additions	272.3	-	-	-	272.3
Depreciation/amortization	(296.7)	-	(17.8)	(17.8)	(314.5)
Disposals/write-off	(8.1)	-	-	-	(8.1)
<b>Net book value as at 31 August 2018</b>	<b>947.9</b>	<b>1,002.4</b>	<b>56.3</b>	<b>1,058.7</b>	<b>2,006.6</b>

Note: Other intangible assets mainly include distribution and licenses contracts, and e-Sports licenses and contracts.

## 14 Lease

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

	Six months ended 31 August	
	2019 RMB million	2018 RMB million
As at 1 March	<b>3,451.8</b>	2,659.0
Inception of lease contracts	<b>612.3</b>	1,230.4
Depreciation	<b>(779.1)</b>	(625.8)
Remeasurement	<b>(13.1)</b>	-
As at 31 August	<b>3,271.9</b>	3,263.6

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.

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.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 14 Lease (continued)

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

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	
	2019 RMB million	2018 RMB million
As at 1 March	3,300.9	2,484.6
Inception of lease contracts	612.4	1,230.4
Interest expense on lease liabilities (Note 9)	95.1	80.7
Payment for lease liabilities (including interest)	(890.0)	(693.2)
Remeasurement	(15.4)	–
As at 31 August	3,103.0	3,102.5

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
Amount due for settlement within 12 months (shown under current liabilities)	1,011.0	999.8
Amount due for settlement after 12 months	2,092.0	2,301.1
	3,103.0	3,300.9

Maturity analysis of lease liabilities is as follows:

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
Not later than 1 year	1,011.0	999.8
Later than 1 year but not later than 5 years	1,982.6	2,153.4
Later than 5 years	109.4	147.7
	3,103.0	3,300.9

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

As at 31 August 2019 and 28 February 2019, the total future lease payments for short-term leases amounting to RMB141.6 million and RMB119.8 million respectively. As at 31 August 2019 and 28 February 2019, leases committed but not yet commenced are relatively insignificant.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 15 Deposits, prepayments and other receivables

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
<b>Non-current</b>		
Rental deposits and other receivables	237.4	192.9
Prepayments for capital expenditures	21.4	22.0
	<b>258.8</b>	214.9
<b>Current</b>		
Rental deposits	283.9	288.3
Value-added tax recoverable	231.7	132.4
Prepayments for purchase	591.6	249.1
Other receivables and prepayments	158.6	132.1
	<b>1,265.8</b>	801.9

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

## 16 Trade receivables

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
Trade receivables	2,139.3	2,551.5
Loss allowance	(33.7)	(33.7)
	<b>2,105.6</b>	2,517.8

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 31 August 2019, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
0 to 30 days	1,949.5	2,301.8
31 to 60 days	68.1	101.1
61 to 90 days	12.9	18.8
Over 90 days	108.8	129.8
	<b>2,139.3</b>	2,551.5
Loss allowance	(33.7)	(33.7)
	<b>2,105.6</b>	2,517.8

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



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 16 Trade receivables (continued)

Movements on the Group's loss allowance for trade receivables are as follows:

	Six months ended 31 August	
	2019 RMB million	2018 RMB million
At the beginning of the period	33.7	–
Increase in loss allowance	–	22.7
At the end of the period	33.7	22.7

## 17 Bank balances and cash

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
Bank balances and cash	631.5	650.5
Denominated in:		
RMB	618.2	647.4
HK\$	13.3	2.7
US\$	–	0.4
	631.5	650.5

## 18 Trade payables

The normal credit period granted by suppliers generally ranges from 0 to 60 days. As at 31 August 2019, the aging analysis of trade payables is as follows:

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
0 to 30 days	681.9	638.5
31 to 60 days	3.1	3.2
Over 60 days	1.0	0.3
	686.0	642.0

The carrying amounts of trade payables approximate their fair values.

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 19 Short-term borrowings

As at 31 August 2019, the Group's short-term bank borrowings are unsecured and carry interest at floating rates with weighted average effective interest rate of 4.5% (28 February 2019: 4.5%) per annum. The carrying amounts of the Group's short-term bank borrowings are denominated in RMB and approximate their fair values.

## 20 Share capital

	Number of Ordinary shares	Nominal value of ordinary shares US\$
<b>Authorized:</b>		
As at 5 September 2018 (date of incorporation), 28 February 2019 and 31 August 2019	5,000,000	500,000
<b>Issued and fully paid:</b>		
Issuance at 5 September 2018 (date of incorporation)	1	0.1
As at 28 February 2019 and 31 August 2019	1	0.1

Note:

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 by the creation of 20,000,000,000 Shares of a par value of HK\$0.000001 each; (b) allotted and issued 1 ordinary share at par value of HK\$0.000001 to the existing sole shareholder of the Company and credited as fully paid; (c) repurchased 1 issued ordinary share of US\$0.1 at par and, subject to and immediately after the repurchase of 1 ordinary share of US\$0.1 of the Company, reduced the authorized share capital to HK\$20,000 divided into 20,000,000,000 ordinary shares of HK\$0.000001 each by cancellation of the 5,000,000 authorized but unissued ordinary shares of US\$0.1 each; and (d) conditional on share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of the offer shares by the Company pursuant to the proposed global offering, the Company will capitalize an amount of HK\$5,271.038023, standing to the credit of the share premium account of the Company by applying such sum to pay up in full at par a total of 5,271,038,023 ordinary shares for allotment and issue to the sole shareholder of the Company immediately before the global offering ("Capitalization Issue") becomes unconditional.

On 10 October 2019, the above proposed global offering (the "Global Offering") was completed and 930,184,000 ordinary shares were issued by the Company at a price of HK\$8.5 per share for an aggregate amount of HK\$7,906.6 million.

## 21 Future minimum lease payments receivables

As at 31 August 2019, the future aggregate minimum lease payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
Not later than 1 year	49.8	25.0
Later than 1 year and not later than 5 years	28.2	19.4
Later than 5 years	2.5	–
	<b>80.5</b>	<b>44.4</b>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 22 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	
	2019 RMB million	2018 RMB million
Transactions with companies controlled by Belle International other than the Group (note (a))		
– Sale of goods	11.2	15.6
– Rental income	–	0.5
– Logistics services fees	162.9	105.9
– E-commerce services fees	72.7	70.0
– Rental expenses	16.9	12.8
Key management compensation		
– Salaries, bonuses and other welfare (note (b))	3.0	3.0

### Period-end balances

	As at 31 August 2019 RMB million	As at 28 February 2019 RMB million
Amounts due from fellow subsidiaries (note (c))	–	52.0
Amounts due to (note (c)):		
– Belle International	3,363.3	3,355.0
– Fellow subsidiaries	–	205.2
	<b>3,363.3</b>	3,560.2

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 22 Related party transactions (continued)

### Period-end balances (continued)

Notes:

- (a) Transactions with related companies are determined based on terms mutually agreed between the relevant parties.
- (b) Key management includes directors and certain executives who have important roles in making operational and financial decisions.
- (c) As at 31 August 2019 and 28 February 2019, the balances with related parties are unsecured, interest free, repayable on demand and are denominated in RMB.
- (d) In addition, during the six months ended 31 August 2019, the Group entered into certain long-term lease arrangements with companies controlled by Belle International other than the Group which accounted for as addition of right-of-use assets amounting to RMB95.9 million with the corresponding lease liabilities of the same amount. As at 31 August 2019, the balance of these lease liabilities and assets amounted to RMB82.5 million and RMB81.5 million respectively, after payment of the relevant lease liabilities of RMB15.6 million (including interest expense) and depreciation of RMB14.4 million respectively, during the six months ended 31 August 2019.

## 23 Subsequent events

On 10 October 2019, the Global Offering as detailed in Note 20 became unconditional and the Company's shares became listed on the Stock Exchange.

Save as above and disclosed elsewhere in the condensed consolidated interim financial information, the Group has no other material events after the interim period up to the date of this report.

# GENERAL INFORMATION

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

As the shares of the Company were not listed on the Stock Exchange on 31 August 2019, the Divisions 7 and 8 of Part XV of the SFO and Section 352 of the Securities and Futures Ordinance (the "SFO") were not applicable to the Company on 31 August 2019. As of 6 November 2019, none of Directors or chief executives held 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 mentioned above, the shares of the Company were not listed on the Stock Exchange on 31 August 2019. Therefore, on 31 August 2019, both Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO did not apply to the Company. As of 6 November 2019, 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:

## 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 <sup>(1)</sup>
Belle Sports Limited <sup>(2)</sup>	Beneficial Owner	5,141,511,024 <sup>(4)</sup>	82.91%
Belle International Holdings Limited <sup>(2)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Muse Holdings-B Inc. <sup>(2)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Muse Holdings-M Inc. <sup>(2)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Muse Holdings Inc. <sup>(2)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Wisdom Man Ventures Limited <sup>(2)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Hillhouse HHBH Holdings Limited <sup>(2)(3)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Hillhouse HHBH Limited <sup>(3)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
HHBH Investment, L.P. <sup>(3)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
Hillhouse Capital Management, Ltd <sup>(3)</sup>	Interest in controlled corporation	5,141,511,024 <sup>(4)</sup>	82.91%
China CITIC Bank Corporation Limited <sup>(5)</sup>	Person having a security interest in shares	5,131,511,024	82.75%
CITIC Corporation Limited <sup>(5)</sup>	Interest in controlled corporation	5,131,511,024	82.75%
CITIC Limited <sup>(5)</sup>	Interest in controlled corporation	5,131,511,024	82.75%
CITIC Group Corporation <sup>(5)</sup>	Interest in controlled corporation	5,131,511,024	82.75%

### Notes:

- (1) As of 6 November 2019, 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. China CITIC Bank Corporation Limited 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.
- (5) 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.

Save as disclosed herein, our Directors are not aware of any persons who will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of the Company.

# GENERAL INFORMATION

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

From the Listing Date and up to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **CHANGES IN DIRECTORS' INFORMATION**

No change in the biographical details of the Directors that is required to be disclosed pursuant to Rule 13.51 B(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. The CG Code has been applicable to the Company since the Listing Date.

The Board believes that the Company has complied with all the code provisions as set out in the CG Code since the Listing Date, 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. 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**

During the period under review, the Model Code as set out in Appendix 10 to the Listing Rules was not applicable to the Company as the Shares were not listed on the Stock Exchange on 31 August 2019. 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 from the Listing Date and up to the date of this report.

## **CONTINUING DISCLOSURE REQUIREMENTS PURSUANT TO RULE 13.21 OF THE LISTING RULES**

### **Facility Agreement dated 28 April 2017**

Belle International Holdings Limited was taken private by a consortium, comprising Hillhouse HHBH Holdings Limited and its affiliate, Wisdom Man Ventures Limited and Superise Colorful Brands Limited, through Muse Holdings-B Inc. as the offeror on 25 July 2017.

The cash requirement of the privatization of approximately HK\$45.3 billion was partially financed through debt financing under the Facility Agreement dated 24 April 2017 (as amended and/or restated) entered into, amongst others, Muse Holdings-B Inc. as borrower and Bank of America, N.A. as arranger, agent and security agent. The aggregate drawdown amount under the Facility Agreement is HK\$29,000 million. The debt financing under the Facility Agreement are secured by, including but not limited to all undertakings and assets of, and shares in, Belle Sports Limited. Upon completion of the Listing of the Company, the security granted by the Company over certain of the Company's undertakings and assets of, and shares in, our subsidiaries, was released on the Listing Date (i.e. 10 October 2019). For further details of the Facility Agreement, please refer to the section headed "History, Reorganization and Corporate Structure – Prior Listing of Belle International on the Stock Exchange and Subsequent Delisting" in the Prospectus.

As of 31 August 2019, the outstanding principal amount under the Facility Agreement was approximately HK\$23,000 million and Belle Sports Limited granted security over all share held by it in the Company (i.e. one share) to Bank of America, N.A. (as the security agent) as part of the security under the debt financing. Upon the completion of the Capitalization Issue and the Global Offering on 10 October 2019 and the partial exercise of the Over-allotment Option by the Joint Global Coordinators (as defined in the Prospectus), on behalf of the International Underwriters (as defined in the Prospectus), on 1 November 2019, in respect of an aggregate of 129,527,000 Shares, 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 under the debt financing.

## **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 2019.

## **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

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## **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 Remuneration 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 estimated related expenses, of HK\$7,622.1 million are and will be utilized as stated in the Company’s Prospectus.

From the date of listing of the Company and up to the date of this report, HK\$3,687.7 million of the Net Proceeds has been utilized to repay the outstanding amounts due to Belle International Holdings Limited and the fellow subsidiaries of the Company with HK\$29.7 million un-utilized for the same intended purpose. The Net Proceeds of HK\$800.0 million, HK\$2,210.5 million, HK\$762.2 million and HK\$132.0 million (totaling HK\$3,904.7 million), intended to be used for investing in technology initiatives to accelerate the digital transformation of the Company’s business, repaying the Company’s short-term borrowings, working capital and other general corporate purpose and settlement of the Company’s dividend payable, respectively, are un-utilized.

The un-utilized amounts of the Net Proceeds of HK\$3,934.4 million will be applied in the manner consistent with that mentioned in the Prospectus. The Board is not aware of any material change to the planned use of Net Proceeds as at the date of this interim report. The un-utilized net proceeds have been placed as bank balances with licensed banks in Mainland China and Hong Kong as at the date of this interim report.