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

ANNUAL REPORT
2019/20

CONTENTS

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

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Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Cheung Sha Wan
Kowloon, Hong Kong

Principal Place of Business in the PRC

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Xuhui District
Shanghai
PRC

Stock Code

6110

Website

www.topsports.com.cn

Auditor

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

Legal Advisor

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500 Hennessy Road
Causeway Bay
Hong Kong

Compliance Advisor

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

Principal Share Registrar

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

Hong Kong Branch Share Registrar

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

Principal Bankers

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

FINANCIAL HIGHLIGHTS

		Year ended	
		29 February 2020	28 February 2019
Revenue	RMB million	**33,690.2**	32,564.4
Gross profit	RMB million	**14,187.5**	13,607.3
Operating profit	RMB million	**3,302.9**	3,236.8
Profit attributable to the Company's equity holders	RMB million	**2,303.4**	2,199.8
Non-IFRS Measure – Adjusted operating profit (1)	RMB million	**3,390.3**	3,282.4
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders (1)	RMB million	**2,381.9**	2,236.5
Gross profit margin	%	**42.1**	41.8
Operating profit margin	%	**9.8**	9.9
Profit margin attributable to the Company's equity holders	%	**6.8**	6.8
Non-IFRS Measure – Adjusted operating profit margin	%	**10.1**	10.1
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	%	**7.1**	6.9
Earnings per share – basic and diluted (2)	RMB cents	**40.88**	41.73
Adjusted earnings per share, for illustrative purpose (2)	RMB cents	**37.14**	35.47
Dividend per share			
– interim	RMB cents	**12.00**	N/A
– final, proposed	RMB cents	**7.00**	N/A
Average trade receivables turnover period	days	**21.8**	28.9
Average trade payables turnover period	days	**16.4**	9.9
Average inventory turnover period	days	**120.0**	103.5

		As at	
		29 February 2020	28 February 2019
Gearing ratio	%	**Net cash**	25.0
Current ratio	times	**1.7**	0.9

Notes:

(1) 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 intangible assets arising from business combination. The Group believe that this information is useful for investors in comparing the Group's performance without regard to items that do not affect the ongoing operating performance or cash flow of the Group, and it allows investors to consider metrics used by the management in evaluating the Group's performance. Investors should not consider the non-IFRS financial measures a substitute for or superior to the IFRS results of the Group.

(2) Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,303.4 million for the year ended 29 February 2020 (2019: RMB2,199.8 million) by the weighted average number of ordinary shares of the Company in issue of 5,634,470,570 shares (2019: 5,271,038,024 shares). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been retrospectively adjusted for the effect of the Capitalization Issue (as defined in the prospectus of the Company dated 26 September 2019 (the "Prospectus"). 930,184,000 new shares issued pursuant to the global offering of the Company was only accounted for in the calculation of the basic and diluted earnings per share from 10 October 2019. For illustrative purpose and provide with more relevant information for investors, the adjusted earnings per share is calculated by dividing profit attributable to the Company's equity holders by the weighted average number of ordinary shares in issue as stated above and adjusted for as if these new shares have been issued throughout the years presented.

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

STATEMENT FROM CHAIRMAN

Dear Shareholders,

The macro socioeconomic environment remained challenging in 2019. Trade barriers, geopolitics and other factors have brought uncertainties to the global economy. According to data from the National Bureau of Statistics of China, China's GDP grew by 6.1% year-on-year in 2019, exhibiting a gradually slowing growth rate in recent years. Meanwhile, consumption has become one of the primary drivers for China's economic growth, exemplified by total retail sales of consumer goods increasing by 8.0% year-on-year in 2019. With regards to sports consumption, consumer demand has become more diverse and sophisticated, driven principally by growing macro-demand, broad appeal of an active lifestyle, national policy support, and the implementation of such policies by governments at all levels. Such robust development of the sports market has inspired both new opportunities and challenges for participants in China's sports value chain.

During the year, the Company has continued to enhance its consumer-centric, omnipresent and multi-occasional sportswear retail and service platform, offering consumers superior products and services, and creating boundless, positive, healthy and joyous life experiences inspired by sports. For the financial year ended 29 February 2020, the Company operated 8,395 stores directly in nearly 300 cities across the country, with a net increase of 52 such stores year-on-year. Leveraging remarkable consumer insights gathered through our extensive and deeply penetrating directly-operated nationwide sportswear retail network, we continue to strengthen our long-term and in-depth strategic partnerships with industry leading brand partners. Digitization has both enabled us to respond to more diverse consumer needs with speed and agility, and further honed our operational efficiency. In light of ever-changing consumption occasions, digitization has also helped us to effectively expand our consumer touch points and offer superior service experience.

In early 2020, a sudden onset of Novel Coronavirus Disease (COVID-19) ("the Pandemic") swept the globe. The abruptness and variability of the Pandemic have brought forth some of the greatest challenges to and profound impacts on Chinese and global retail companies in recent years. In light of the current Pandemic, the Company quickly launched an emergency response initiative, prioritizing the health and safety of our employees and rapidly establishing a command system to optimize resource allocation and steer the Company's operations in real time. In the face of a rapidly developing crisis, we navigated choppy waters with finesse and remained steadfast with our long-term persistence and confidence.

Under the impact of the Pandemic, the Company's annual revenue growth for the year ended 29 February 2020 slowed to 3.5%, adjusted operating profit increased by 3.3%, and adjusted profit attributable to the Company's equity holders increased by 6.5%. The Board of Directors has recommended a final dividend of RMB7.00 cents per share. Together with interim dividend of RMB12.00 cents per share, the total dividend for the financial year ended 29 February 2020 amounts to RMB19.00 cents per share.

Looking forward to 2020, the Pandemic is still evolving dynamically in many countries around the world. It is difficult for us to estimate the ultimate impact on the economy, consumption environment and the operations of our Company due to the rapidly shifting trajectory of the Pandemic. However, most challenges also bring about opportunities, as this has been the Company's experience in its history of more than 20 years in China's sportswear market. The "crises" of the marketplace often give rise to "opportunities" for growth against the adversity. As we gaze ahead, we remain confident in the long-term development of China's sports industry. Our in-depth understanding of and insights on Chinese consumers have always been our Company's core assets. In combination with our efficient operational and execution capabilities, they grant us opportunities to lead the industry with innovation and creativity. Retail is detail, where greatness is hidden in the seemingly trivialities. We are optimistic that we will continue to explore and seize new opportunities in a changing market environment to pursue sustainable future development at scale.

SHENG Baijiao
Chairman & Non-executive Director

Hong Kong, 25 May 2020

STATEMENT FROM CEO

Dear Shareholders,

During the financial year ended 29 February 2020, Topsports continued to expand our consumer-centric, omnipresent and multi-occasional sportswear retail and service platform. By focusing on our mission of "breaking boundaries through sports and inspire limitless possibilities", we aim to enhance our ability to engage consumers and accumulate remarkable insights in order to offer better products and experience to Chinese sports consumers, hand-in-hand with our brand partners.

INDUSTRY ENVIRONMENT AND OUR BUSINESS MODEL

During the past year, the sports industry still maintained its robust growth momentum. As shown in the "Action Plan for Further Promoting Sports Consumption (2019-2020)" (《進一步促進體育消費的行動計劃(二零一九至二零二零年)》) jointly issued by the National Development and Reform Commission and the General Administration of Sport of China, national sports-related consumption habits have started to develop gradually, with a more sophisticated sports-related consumption environment as well as a more optimal demand structure. The expected total national sports consumption will reach RMB1.5 trillion by 2020, with a higher contribution by sports consumption expenditure to total consumption per capita.

As an important network of touch points for communication, feedback and interaction with our consumers, our nationally extensive, deeply penetrating directly-operated sportswear store network continue to play a crucial role to serve sports enthusiasts on daily basis. The localized, social communities and the sizeable membership base engage with our consumers through high-quality and custom, themed content and provide a diverse set of value-added membership services and benefits. We pioneered various technology capabilities to reach consumers in digital settings, expanding our engagement occasion and boundaries to broaden our consumer touch points. As such we were able to please the active sports consumer in more dimensions more than before.

However, the outbreak of the Novel Coronavirus Disease (COVID-19) (the "Pandemic") in early 2020 has brought the most significant challenge to the nation's retail industry in recent years and has significantly affected the operations and financial performance of the Company for the financial year ended 29 February 2020. The outbreak of Pandemic has been a test of operating capability for enterprises in terms of resilience, decision-making, organization and execution. As the situation continued to shift rapidly, we immediately launched an emergency response initiative and created a command system to optimize resource allocation while emphasizing cash flow management and strict expense control. At present, the dynamic evolution of the Pandemic makes it difficult for us to precisely estimate its impact on the Company's operations. However, we remain confident in the overall development of China's sports market in the long term. We look forward to leverage our own advantages of a directly-operated store network, as well as agile and efficient merchandise management capabilities, in order to provide excellent consumer services and experience at scale with speed and accuracy.

FINANCIAL RESULTS HIGHLIGHT

On behalf of the board of directors of the Company ("the Board"), I hereby report the results for the financial year ended 29 February 2020 as follows:

For the financial year ended 29 February 2020, our total revenue increased by 3.5% to RMB33,690.2 million, our operating profit increased by 2.0% to RMB3,302.9 million, and our adjusted operating profit increased by 3.3%. The profit attributable to the Company's equity holders was RMB2,303.4 million, with an year-on-year increase of 4.7%, and the adjusted profit attributable to the Company's equity holders increased by 6.5%. Basic earnings per share was RMB40.88 cents, slightly declining by 2.0% mainly because of the inclusion of new shares issued upon the global offering in October 2019. Adjusted earnings per share was RMB37.14 cents, increasing by 4.7%, which accounted for the new shares issued upon the global offering as if they have been issued throughout the years presented.

The Board has recommended a final dividend of RMB7.00 cents per share for the financial year ended 29 February 2020. Together with the interim dividend of RMB12.00 cents per share (paid on 10 December 2019), the total dividend for the financial year ended 29 February 2020 amounts to RMB19.00 cents per share (2019: RMB3,500.0 million).

BUSINESS REVIEW

Looking back on the financial year ended 29 February 2020, we have been constantly expanding and optimizing our physical store network, focusing on the development of our membership system at scale, seeking further breakthrough in our existing markets while exploring business opportunities in adjacent markets. The outbreak of COVID-19 has made us even more aware of the diversity of consumption settings in the current retail environment and the necessity to seamlessly integrate various consumer touch points across settings. We aim to provide higher quality, more customized service experience to Chinese sports enthusiasts and consumers at scale.

1. Directly-operated Retail Network Optimization

We constantly focus on the optimization of our directly-operated retail store network and have been closing low-productivity and loss-making stores, with the aim to further strengthen our retail network. We recorded a net increase of 52 stores with gross selling area increasing by 10.6% for the financial year ended 29 February 2020 as compared with the prior year. We directly operate 8,395 stores in nearly 300 cities across the country as of 29 February 2020.

While prudently opening new stores, we have proactively upgraded the stores with proven higher sales potential. These stores have served our consumers in different cities across the country with upgraded store image and unique experiential services to create and enhance shopping experiences through high quality interactions.

Changes in the number of our stores during the year:

	As of 28/29 February			
	2017	2018	2019	**2020**
Number of stores				
At the beginning of the year	6,984	7,605	8,302	**8,343**
Opening of new stores	1,438	1,639	1,415	**1,416**
Closure of stores	(817)	(942)	(1,374)	**(1,364)**
Net increase in the number of stores	621	697	41	**52**
At the end of the year	7,605	8,302	8,343	**8,395**

Numbers and percentages of our stores by size:

	As of 28/29 February							
	2017		2018		2019		**2020**	
		%		%		%		**%**
Store size:								
150 sq.m or smaller	5,918	77.8%	6,268	75.5%	5,947	71.3%	**5,732**	**68.3%**
Between 150 and 300 sq.m	1,487	19.6%	1,779	21.4%	1,978	23.7%	**2,051**	**24.4%**
Larger than 300 sq.m	200	2.6%	255	3.1%	418	5.0%	**612**	**7.3%**
Total	7,605	100.0%	8,302	100.0%	8,343	100.0%	**8,395**	**100.0%**

2. Continuous Development of Our Membership Program

In the past year, we have further enhanced our engagement with consumers through additional membership benefits. Both our cumulative number of enrolled members and the total in-store retail sales value (inclusive of VAT) contributed by members have steadily increased. As of 29 February 2020, our cumulative number of enrolled members reached 27.2 million. During the quarters as of 30 November 2019 and 29 February 2020, 86.2% and 91.0% of the total in-store retail sales (inclusive of VAT) were contributed by our members, respectively for each quarter.

	As of				
	28 February 2019	31 May 2019	31 August 2019	30 November 2019	**29 February 2020**
Cumulative number of our enrolled members	14.2	17.4	21.2	24.7	**27.2**
Percentage of total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	52.3%	70.8%	81.4%	86.2%	**91.0%**

Unit: Million

We initiated more themed topics and story content which catered to and inspired consumers through our digital platforms. Meanwhile, we also continued adding different on-site experiences in our physical stores. During sports jersey drop events, we invited experienced jersey collectors to share their stories and knowledge about jerseys with the audience attending the launch. Prior to Lunar New Year, we invited traditional Chinese artists, fashion buyers and other various specialists to discuss their ideal New Year designs, in order to inspire consumers for their Lunar New Year shopping.

The continued expansion of our membership program not only helps us serve our consumers in more ways and across a wider range, but also functions as a key for us to continue to enhance and refine our insights of each consumers' preferences.

3. Accelerated the Pace of Digital Transformation

During the financial year ended 29 February 2020, we continued to accelerate the pace of digital transformation.

We maintained our focus on the implementation of technology-enabled initiatives in our business operations. Over the long term, we have accumulated vast experience and industry know-how related to operating in China's sportswear retail sector. We improved our retail operational efficiency by leveraging new technology to empower our staff management, product merchandising and store operations. For example, mobile digital toolkits empower our front-line employees by reducing their operational burden and enabling them to adjust operations in real time; meanwhile, our store-level smart technologies allow us to systematically collect and analyze data accessible through our vast network of directly-operated stores, providing us with consumer insights to adjust product portfolio and display; digitalized procurement and merchandise management systems assist in automatically creating base line purchase orders that are tailored to each store.

At the same time, we continued to expand our connections with consumers across multiple occasions through digital approaches. We initiated more themed topics and content sharing, as well as new live streaming formats through our storebased digital social communities, which deepened our continuous engagement with consumers outside of physical store boundaries. We also systematically enhanced our application of store-level mini-programs and mobile payment apart from the existing e-commerce platforms. We aim to provide more targeted services to satisfy diverse consumer needs.

The outbreak of the COVID-19 in early 2020 has led to a rapid shift in the major consumption settings of sportswear products from physical to digital channels. In response, we accelerated the application of our digital tools which we've already developed in prior periods. We rapidly promoted the launch of store-level mini-programs and mobile payment in the physical stores and established the inventory sharing function to assist stores in inventory management, so as to ensure the supply of products and reduce inventory risks.

Digital transformation helps us to explore how we can leverage our ability to enhance the service offerings of our single store, while offering more possibilities to broaden and deepen our connection with consumers. It allows our services to reach out beyond the physical boundaries of our existing physical stores so that we can continue to reach and serve our broad consumer base in a high quality and efficient manner.

4. **Strategically Respond to Risks and Capture Opportunities Arising from the Outbreak of COVID-19**

The sudden and unpredictable outbreak of COVID-19 is a stress test for both the industry and the Company, as well as a thorough assessment of our retail operation capability. With years of market experience and forward-looking preparation in respect of expansion to the digital realm, the Company made proactive and fast-paced adjustments, looked for opportunities in the face of risks and challenges, and strove to cope with changes, in order to provide consumers with a better experience. The major initiatives adopted are as follows:

– Launched the emergency response initiative rapidly and prioritized the health and safety of all employees;
– As the engagement occasions with our consumers shifted towards digital settings, the Company reorganized the retail method by which the "staff", the "product" and the "store" linked with one-another to create an effective resource allocation mechanism;
– Leveraged the existing network of directly-operated stores and broad membership base and engaged with consumers through various touch points outside physical store boundary by utilizing digital tools;
– Enhanced the inventory sharing across channels to reduce merchandizing risks;
– Emphasized on cash flow management to cope with cyclical and volatile changes in the industry.

OUTLOOK

Our growth measures mainly include:

- Accelerate our digital transformation
- Expand and continuously upgrade our store network
- Leverage omnipresent, multi-occasional digital connections to engage with consumers
- Expand our brand offerings and deepen cooperation with brand partners
- Further enrich our customer-centric platform offerings

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 and support of Topsports. The Company has been included in the MSCI China Index and the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect since February 2020, demonstrating the recognition and trust in the Company by the capital markets. Looking ahead, we remain fully confident in the future development of and opportunities in the sports market. All our employees and management team are prepared and expect to continually create long-term value for our consumers, shareholders and all partners.

YU Wu
Chief Executive Officer & Executive Director

Hong Kong, 25 May 2020

FINANCIAL REVIEW

For the year ended 29 February 2020, the Group recorded revenue of RMB33,690.2 million, an increase of 3.5% compared with that of the year ended 28 February 2019. The Group recorded operating profit of RMB3,302.9 million, an increase of 2.0% compared with that of the year ended 28 February 2019. The profit attributable to the Company's equity holders during the year amounted to RMB2,303.4 million, an increase of 4.7% compared with that of the year ended 28 February 2019.

For the year ended 29 February 2020, the Group recorded adjusted operating profit of RMB3,390.3 million, an increase of 3.3% compared with that of the year ended 28 February 2019. The adjusted operating profit is adjusted by adding back the effect of listing expenses of RMB51.8 million (2019: RMB10.0 million) and the amortization of intangible assets arising from business combination of RMB35.6 million (2019: RMB35.6 million).

For the year ended 29 February 2020, the Group recorded adjusted profit attributable to the Company's equity holders of RMB2,381.9 million, an increase of 6.5% compared with that of the year ended 28 February 2019. The adjusted profit attributable to the Company's equity holders is adjusted by adding back the effect of listing expenses of RMB51.8 million (2019: RMB10.0 million) and the amortization of intangible assets arising from business combination, net of deferred tax of RMB26.7 million (2019: RMB26.7 million).

REVENUE

The Group's revenue increased by 3.5%, from RMB32,564.4 million for the year ended 28 February 2019 to RMB33,690.2 million for the year ended 29 February 2020. The growth was mainly contributed by further enhancement of the store performance, growth in the gross selling area of the directly-operated stores, and higher revenue contributed by the wholesale operations; while the overall revenue growth was inevitably affected by the emergence of the Pandemic in early 2020.

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				
	29 February 2020		28 February 2019		Growth/
	Revenue	**% of total**	Revenue	% of total	(Drop) rate
Principal brands*	**29,489.5**	**87.5%**	28,253.4	86.8%	4.4%
Other brands*	**3,904.0**	**11.6%**	4,077.2	12.5%	(4.2%)
Concessionaire fee income	**266.3**	**0.8%**	233.8	0.7%	13.9%
e-Sports income	**30.4**	**0.1%**	–	–	N/A
Total	**33,690.2**	**100.0%**	32,564.4	100.0%	3.5%

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.

The Group sells sportswear products sourced from international 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				
	29 February 2020		28 February 2019		
	Revenue	**% of total**	Revenue	% of total	Growth rate
Retail operations	**29,171.0**	**86.6%**	28,974.0	89.0%	0.7%
Wholesales operations	**4,222.5**	**12.5%**	3,356.6	10.3%	25.8%
Concessionaire fee income	**266.3**	**0.8%**	233.8	0.7%	13.9%
e-Sports income	**30.4**	**0.1%**	–	–	N/A
Total	**33,690.2**	**100.0%**	32,564.4	100.0%	3.5%

Unit: RMB million

PROFITABILITY

The Group's gross profit increased by 4.3% to RMB14,187.5 million for the year ended 29 February 2020. The Group's operating profit increased by 2.0% to RMB3,302.9 million for the year ended 29 February 2020. The profit attributable to the Company's equity holders increased by 4.7% to RMB2,303.4 million for the year ended 29 February 2020.

	Year ended		
	29 February 2020	28 February 2019	Growth rate
Revenue	**33,690.2**	32,564.4	3.5%
Cost of sales	**(19,502.7)**	(18,957.1)	2.9%
Gross Profit	**14,187.5**	13,607.3	4.3%
Gross profit margin	**42.1%**	41.8%	

Unit: RMB million

Cost of sales increased by 2.9% from RMB18,957.1 million for the year ended 28 February 2019 to RMB19,502.7 million for the year ended 29 February 2020. Gross profit increased by 4.3% to RMB14,187.5 million for the year ended 29 February 2020 from RMB13,607.3 million for the year ended 28 February 2019.

During the year, the gross profit margin of the Group was 42.1%, increased by 0.3 percentage points, from 41.8% for the year ended 28 February 2019.

Selling and distribution expenses for the year ended 29 February 2020 were RMB9,643.8 million (2019: RMB9,247.5 million), accounting for 28.6% of the Group's revenue (2019: 28.4%). The selling and distribution expenses primarily include concessionaire fee and lease expenses, depreciation of right-of-use assets in relation to 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.

General and administrative expenses for the year ended 29 February 2020 were RMB1,412.8 million (2019: RMB1,293.2 million), accounting for 4.2% of the Group's revenue (2019: 4.0%). The general and administrative expenses primarily include lease expenses in relation to 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 RMB51.8 million recorded during the year ended 29 February 2020 (2019: RMB10.0 million).

Finance income increased from RMB20.0 million for the year ended 28 February 2019 to RMB55.3 million for the year ended 29 February 2020. It was mainly due to increase in bank deposits during the year.

Finance costs increased from RMB211.5 million for the year ended 28 February 2019 to RMB272.1 million for the year ended 29 February 2020, primarily as a result of (i) an increase in interest expense on lease liabilities, as the Group previously opened new stores under lease agreements resulted in higher lease liabilities; and (ii) an increase in interest expense on short-term bank borrowings.

Income tax expense for the year ended 29 February 2020 amounted to RMB782.7 million (2019: RMB845.5 million). The effective income tax rate decreased by 2.4 percentage points to 25.4% for the year ended 29 February 2020 from 27.8% for the year ended 28 February 2019, primarily due to the fact that the Group provided withholding tax provision on the profits generated by the Company's subsidiaries in the People's Republic of China (the "PRC") based on the latest dividend policy of approximately 50% whereas full provision was provided for last year, resulting in a decrease in income tax expenses. The statutory income tax rate for the Group in the PRC is generally 25%.

OTHER INCOME

Other income for the year ended 29 February 2020 amounted to RMB191.1 million (2019: RMB203.9 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 2020, capital expenditure was RMB781.5 million (2019: RMB921.4 million).

NON-IFRS MEASURES

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 Group believes that this information is useful for investors in comparing the Group's performance without regard to items that do not affect the ongoing operating performance or cash flow of the Group, and it allows investors to consider metrics used by the management in evaluating the Group's performance. Investors should not consider the non-IFRS financial measure a substitute for or superior to the IFRS results of the Group .

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

	Year ended	
	29 February 2020	28 February 2019
Operating profit	**3,302.9**	3,236.8
Adding back:		
Listing expenses [1]	**51.8**	10.0
Amortization of intangible assets arising from business combination [2]	**35.6**	35.6
Non-IFRS Measure – Adjusted operating profit	**3,390.3**	3,282.4
Profit attributable to the Company's equity holders	**2,303.4**	2,199.8
Adding back:		
Listing expenses [1]	**51.8**	10.0
Amortization of intangible assets arising from business combination, net of deferred tax [2]	**26.7**	26.7
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders	**2,381.9**	2,236.5

Unit: RMB million

Non-IFRS Measure – Adjusted operating profit margin	**10.1%**	10.1%
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	**7.1%**	6.9%

Notes:

(1) The Company incurred RMB51.8 million of listing expenses for the year ended 29 February 2020 which were recognized as expenses (2019: RMB10.0 million).

(2) The amortization of intangible assets arising from business combination is an adjustment item that is non-cash in nature. The intangible assets arising from business combination are expected to be fully amortized by March 2020.

BASIC AND DILUTED EARNINGS PER SHARE AND ADJUSTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 29 February 2020 decreased by 2.0% to RMB40.88 cents from RMB41.73 cents for the year ended 28 February 2019.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,303.4 million for the year ended 29 February 2020 (2019: RMB2,199.8 million) by the weighted average number of ordinary shares of the Company in issue of 5,634,470,570 shares (2019: 5,271,038,024 shares). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been retrospectively adjusted for the effect of the Capitalization Issue. 930,184,000 new shares issued pursuant to the global offering of the Company was only accounted for in the calculation of the basic and diluted earnings per share from 10 October 2019.

As if these new shares have been issued since 1 March 2018, the adjusted earnings per share, for illustrative purpose, would be as follows:

		Year ended	
		29 February 2020	28 February 2019
Profit attributable to the Company's equity holders	RMB million	**2,303.4**	2,199.8
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	thousand of shares	**5,634,471**	5,271,038
As if 930,184,000 new shares have been issued throughout the year	thousand of shares	**566,751**	930,184
	thousand of shares	**6,201,222**	6,201,222
Adjusted basic and diluted earnings per share, for illustrative purpose	RMB cents	**37.14**	35.47

LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations increased by RMB2,883.9 million to RMB6,975.6 million for the year ended 29 February 2020 from RMB4,091.7 million for the year ended 28 February 2019.

Net cash used in investing activities for the year ended 29 February 2020 was RMB4,296.8 million (2019: RMB982.5 million). During the year, the Group invested RMB3,594.7 million on placement of pledged term deposits under the cross-border cash pooling arrangement, RMB711.9 million on payments for purchases of property, plant and equipment and intangible assets and RMB21.4 million on payments for acquisition of a business, partly offset by proceeds from disposals of property, plant and equipment of RMB9.6 million and interest received of RMB21.6 million.

During the year, net cash generated from financing activities was RMB275.8 million (2019: used in RMB1,776.8 million), mainly attributable to the payments for lease liabilities (including interest) of RMB1,895.4 million, payments of the 2018/19 interim dividend of RMB1,864.7 million, 2019/20 interim dividend of RMB744.1 million and changes in balances with related companies of RMB3,507.2 million, partly offset by net proceeds from borrowings of RMB1,300.0 million and net proceeds from issuance of ordinary shares of RMB7,075.5 million by the Group during the year.

As at 29 February 2020, the Group held bank balances and cash totaling RMB2,823.9 million, after netting off the short-term bank loans and overdrafts of RMB2,400.0 million, it was in a net cash position of RMB423.9 million. As at 28 February 2019, the Group held bank balances and cash totaling RMB650.5 million, after netting off the short-term bank loans and overdrafts of RMB1,300.0 million, it was in a net debt position of RMB649.5 million.

GEARING RATIO

As at 29 February 2020, the Group has a net cash position and the aggregate balances of pledged term deposits and bank balances and cash exceeded the total balance of borrowings by RMB4,018.6 million. The gearing ratio (equals net debt divided by total capital (total equity plus net debt)) of the Group was 25.0% as at 28 February 2019.

PLEDGE OF ASSETS

As at 29 February 2020, term deposits of RMB3,594.7 million were pledged for short-term borrowings of RMB2,000.0 million drawn under a cross-border cash pooling arrangement operating among certain subsidiaries within the Group.

CONTINGENT LIABILITIES

As at 29 February 2020, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in this report, the Group did not hold any significant investments for the year ended 29 February 2020.

FURTHER PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report and the Prospectus, as at 29 February 2020, the Group has no future plan for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 29 February 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

HUMAN RESOURCES

As at 29 February 2020, the Group had a total of 35,773 employees (2019: 38,613 employees). For the year ended 29 February 2020, total staff cost was RMB3,310.5 million (2019: RMB3,167.2 million), accounting for 9.8% (2019: 9.7%) 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.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Details of the exposure to fluctuations in exchanges rates of the Group as at 29 February 2020 are set out in note 3.1(a) to the consolidated financial statements.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") is pleased to submit their annual report together with the audited financial statements for the year ended 29 February 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The principal activities and other particulars of the principal subsidiaries are set out in note 32 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the "Statement from CEO" and "Management Discussion and Analysis" sections, respectively on pages 6 to 10 and on pages 11 to 17 of this annual report.

A description of the possible risks and uncertainties that the Company may be facing, and the future development of the Group's business are discussed in the "Statement from CEO" on pages 6 to 10 of this annual report.

Additionally, the financial risk management objectives and policies of the Company can be found in note 3 to the consolidated financial statements.

These discussions form part of this Directors' Report.

RESULTS AND DIVIDENDS

The profit of the Group for the year ended 29 February 2020 and the financial position of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 69 to 135.

The Board declared on 23 October 2019 an interim dividend for the year ended 29 February 2020 of RMB12.00 cents or equivalent to HK$13.14 cents per ordinary share, totaling RMB744.1 million. The interim dividend was paid on 10 December 2019.

The Board recommended the payment of a final dividend for the year ended 29 February 2020 of RMB7.00 cents or equivalent to HK$7.51 cents per ordinary share, totaling RMB434.1 million.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company ("AGM") will be held on Monday, 20 July 2020. The notice of AGM will be sent to shareholders on Wednesday, 17 June 2020.

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 Wednesday, 15 July 2020 to Friday, 17 July 2020, both days inclusive. To be eligible to attend and vote at the annual general meeting, 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 Tuesday, 14 July 2020.

(b) The final dividend will be payable on or about Wednesday, 12 August 2020 to the shareholders whose names appear on the register of members of the Company on Wednesday, 29 July 2020. For the purpose of ascertaining shareholder's eligibility for the final dividend, the register of members of the Company will be closed from Monday, 27 July 2020 to Wednesday, 29 July 2020, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned final 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, for registration by no later than 4:30 p.m. on Friday, 24 July 2020.

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.

FINANCIAL SUMMARY

The financial summary of the Group is set out on page 136 of this report. The summary does not form part of the audited financial statements.

SHARE CAPITAL

The Company had 6,201,222,024 ordinary shares in issue as at 29 February 2020. Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 29 February 2020, distributable reserves of the Company amounted to RMB26,199.0 million (2019: RMB19,320.0 million). The movements in distributable reserves during the year are set out in note 31 to the consolidated financial statements.

CHARITABLE DONATIONS

The Group's external charitable donations for the year ended 29 February 2020 amounted to RMB0.9 million.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of RMB766.3 million (2019: RMB812.8 million). Details of the movements in property, plant and equipment are set out in note 15 to the consolidated financial statements.

SHORT-TERM BORROWINGS

Particulars of short-term borrowings of the Group as at 29 February 2020 are set out in note 25 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for less than 3.0% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 95.1% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 51.5% of the Group's purchases.

During the year, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major suppliers or customers.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") or the laws of the Cayman Islands where the Company is incorporated.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

DIRECTORS

The Directors during the year and up to the date of this report were:

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

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any persons as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. SHENG Baijiao, Mr. SHENG Fang, Mr. CHOW Kyan Mervyn, Ms. YUNG Josephine Yuen Ching, Ms. HU Xiaoling, Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor will retire from office at the AGM and, being eligible, offer themselves for re-election.

In addition, pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. YU Wu will retire from office at the AGM and, being eligible, offer himself for re-election.

CHANGE IN DIRECTORS' INFORMATION

Save for the appointment of Ms. HU Xiaoling as a managing director of Dinghui Investments Management (Xiamen) Co., Ltd. since June 2020, the appointment of Mr. HUANG Victor as an independent non-executive director of each of China Bright Culture Group (a company listed on the Main Board of the Stock Exchange with stock code: 1859) since March 2020 and Qingdao Haier Biomedical Co., Ltd. (a company listed on the Shanghai Stock Exchange with stock code: 688139) since August 2018 respectively, the admission of Ms. YUNG Josephine Yuen Ching as a solicitor of the High Court of Hong Kong in April 2019, there are no other changes in the Directors' biographical details which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The biographical details of the Directors and senior management as at the date of this report are set out in this report on pages 29 to 32.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the Independent Non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules, and considers all the Independent Non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

The sole Executive Director has entered into a service contract with the Company under which he agreed to act as an Executive Director for an initial term of three years since 10 October 2019 (the "Listing Date"), which may be terminated by not less than three months' notice in writing served by either the Executive Director or the Company. The appointment of the Executive Director is subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

Each of the Non-executive Directors and Independent Non-executive Directors has signed an appointment letter with the Company for an initial term of three years since the Listing Date. Under their respective appointment letters, each of the Independent Non-executive Directors is entitled to a fixed Director's fee while the Non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles of Association and the Listing Rules.

None of the Directors has entered into any unexpired services contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this report, no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party, and in which a Director of the Company or an entity connected with a Director had a material interest, either directly or indirectly, were subsisting during or at the end of the year ended 29 February 2020.

Particulars of directors' interest in transactions, arrangements or contracts of the Group as at 29 February 2020 are set out in note 14 to the consolidated financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Pursuant to Rule 8.10 of the Listing Rules, each of the Directors has confirmed that he/she does not have any interest in any business apart from the Group's business, which competes or is likely to compete, either directly or indirectly with the Group's business.

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

As of 29 February 2020, 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 Securities and Futures Ordinance (the "SFO") which will be required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to the Company and the Stock Exchange, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code"), once the Shares are listed.

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

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

As of 29 February 2020, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in shares or underlying shares (within the meaning of Part XV of the SFO) of the Company which were notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity/Nature of interest	Number of shares	Approximate percentage of interests in the Company (1)
Belle Sports Limited (2)	Beneficial owner	5,141,511,024 (4)	82.91%
Belle International Holdings Limited (2)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Muse Holdings-B Inc. (2)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Muse Holdings-M Inc. (2)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Muse Holdings Inc. (2)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Wisdom Man Ventures Limited (2)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Hillhouse HHBH Holdings Limited (2) (3)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Hillhouse HHBH Limited (3)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
HHBH Investment, L.P. (3)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
Hillhouse Capital Management, Ltd (3)	Interest in controlled corporation	5,141,511,024 (4)	82.91%
China CITIC Bank Corporation Limited (5) (6)	Person having a security interest in shares	5,131,511,024	82.75%
CITIC Corporation Limited (6)	Interest in controlled corporation	5,131,511,024	82.75%
CITIC Limited (6)	Interest in controlled corporation	5,131,511,024	82.75%
CITIC Group Corporation (6)	Interest in controlled corporation	5,131,511,024	82.75%
Siemens Bank GmbH Singapore Branch (5) (7)	Person having a security interest in shares	5,131,511,024	82.75%
Siemens AG (7)	Interest in controlled corporation	5,131,511,024	82.75%

Notes:

(1) As of 29 February 2020, the total number of issued shares of the Company was 6,201,222,024.

(2) Belle Sports Limited is wholly-owned by Belle International Holdings Limited, which is wholly-owned by Muse Holdings-B Inc.. Muse Holdings-B Inc. is wholly-owned by Muse Holdings-M Inc., which is wholly-owned by Muse Holdings Inc.. Muse Holdings Inc. is owned as to 46.36% and 44.48% by Wisdom Man Ventures Limited and Hillhouse HHBH Holdings Limited, respectively.

(3) Hillhouse HHBH Holdings Limited is wholly-owned by Hillhouse HHBH Limited, which is wholly-owned by HHBH Investment, L.P. and the sole investment manager of HHBH Investment, L.P. is Hillhouse Capital Management, Ltd.

(4) Belle Sports Limited has granted security over all its shares in the Company in favor of Bank of America, N.A. (in its capacity as the security agent), an authorized institution as defined in the Hong Kong Banking Ordinance and a qualified lender as defined in the SFO, for certain debt financing.

(5) Each of China CITIC Bank Corporation Limited and Siemens Bank GmbH Singapore Branch is one of the lenders of the debt financing and is not a qualified lender. The lender of the debt financing may change and may be a lender other than a qualified lender.

(6) CITIC Corporation Limited holds 65.37% shareholding of China CITIC Bank Corporation Limited. CITIC Limited, through its subsidiaries (including CITIC Corporation Limited), holds 65.97% shareholding of China CITIC Bank Corporation Limited. CITIC Group Corporation, through its subsidiaries, holds 58.13% shareholding of CITIC Limited.

(7) Siemens Bank GmbH Singapore Branch is wholly-owned by Siemens AG.

Save as disclosed herein, as of 29 February 2020, the Directors are not aware of any persons (not being a Director or chief executive of the Company) had or was deemed to have any interests or short positions in the Shares or underlying Shares which was required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year, were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other corporations.

EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreements during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions were set out in note 30 to the consolidated financial statements. Details of any related party transaction which constitute continuing connected transaction not exempted under Chapter 14A of the Listing Rules are disclosed below.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the period between the Listing Date to 29 February 2020, the Group has entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company which are not exempted from annual reporting requirement under Chapter 14A of the Listing Rules. Details of these transactions are set out below:

(1) E-commerce Services Framework Agreement

The Company entered into an e-commerce services framework agreement (the "E-commerce Services Framework Agreement") with Belle International Holdings Limited ("Belle International") on 20 September 2019, pursuant to which certain subsidiaries of Belle International (the "Belle e-Commerce Units") shall provide the Group the e-commerce services which include, but not limited to, (i) the provision of access to certain online sales platforms including an online platform operated by the Belle e-Commerce Units and other online platforms operated by Independent Third Parties (the "Platform Services"); and (ii) the provision of e-commerce operation related services (the "Operation Related Services") such as (a) online store setup and operation support, (b) webpage designing, marketing and promotion, copywriting, customer services, information optimization and big data analytics, and (c) cybersecurity, consulting services and other ancillary services in relation to e-commerce. The Group will pay, on a monthly basis, (i) in respect of the Platform Services, a commission of no more than 5% of the Group total revenue generated from the sales on the relevant online sales platforms (the "Platform Commission"); and (ii) in respect of the Operation Related Services, a service fee of no more than 7% of the Group total revenue generated from the sales on all the relevant online sales platforms (the "Operation Related Services Fee", together with the Platform Commission, the "E-commerce Services Fees"). The rates of the E-commerce Services Fees may be reviewed and adjusted every year during the term of the E-commerce Services Framework Agreement with reference to the market rates the Group may source from other Independent Third Party service providers. The E-commerce Services Framework Agreement will be effective upon Listing until 28 February 2022.

The annual cap for the E-commerce Services Fee payable by Company under the E-commerce Services Framework Agreement for the year ended 29 February 2020 was RMB168.0 million.

The total amount incurred by the Company under the E-commerce Services Framework Agreement for the year ended 29 February 2020 was approximately RMB113.3 million.

Belle International is a controlling shareholder of the Company and therefore Belle International is a connected person of the Company. The E-commerce Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(2) Property Leasing Framework Agreement

The Company and Belle International entered into a property leasing framework agreement on 20 September 2019 (the "Property Leasing Framework Agreement"), effective from the Listing Date until 28 February 2022.

Belle International and/or its subsidiaries have been leasing to the Group (a) fourteen properties located in seven cities in the PRC and one property located in Hong Kong with an aggregate gross area of over 25,160 square meters as office, commercial premises or car parks; and (b) two storage facilities for certain store fixtures with an aggregate gross area of over 1,100 square meters under the Property Leasing Framework Agreement during the year ended 29 February 2020. The rental price may be reviewed and adjusted every rental period during the term of the Property Leasing Framework Agreement with reference to the prevailing market rental prices, the consumer price index and the terms and conditions of the leases offered by Belle International and/or its subsidiaries to other tenants.

The annual cap for the lease payment payable by Company under the Property Leasing Framework Agreement for the year ended 29 February 2020 was RMB33.0 million.

The total amount incurred by the Company under the Property Leasing Framework Agreement for the year ended 29 February 2020 was approximately RMB32.0 million.

Belle International is a controlling shareholder of the Company and therefore Belle International is a connected person of the Company. The Property Leasing Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(3) Logistics Services Framework Agreement

The Company entered into a logistics services framework agreement (the "Logistics Services Framework Agreement") with Li Xun Corporate Development (Shanghai) Company Ltd. ("Li Xun") on 20 September 2019 in relation to the provision of (a) transportation for goods after their delivery from suppliers, including but not limited to, the transportation among warehouses and stores; and (b) warehouses (collectively, the "Logistics Services"). The total service fee is calculated based on (i) the volume of Logistics Services that require for the relevant financial year; and (ii) the actual cost incurred by Li Xun in relation to the provision of Logistics Services in the preceding financial year plus a 5% pre-tax mark-up. Pursuant to the Logistics Services Framework Agreement, Li Xun has agreed to provide the Company with its audited accounts of the relevant financial year for the Company's verification of its cost base. The Logistics Services Framework Agreement shall be effective from the Listing Date until February 28, 2022.

The annual cap for the logistics service fee payable by Company under the Logistics Services Framework Agreement for the year ended 29 February 2020 was RMB435.0 million.

The total amount incurred by the Company under the Logistics Services Framework Agreement for the year ended 29 February 2020 was approximately RMB308.3 million.

Li Xun is wholly-owned by Belle International which is a controlling shareholder of the Company and therefore Li Xun is a connected person of the Company. The Logistics Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For further details regarding the E-commerce Services Framework Agreement, Property Leasing Framework Agreement and Logistics Services Framework Agreement, please refer to the section headed "Connected Transactions" of the Prospectus.

Confirmation by the Independent Non-executive Directors

The Independent Non-executive Directors have reviewed the above continuing connected transactions and have confirmed that such transactions are:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better terms; and

(iii) in accordance with the agreements related to such transactions, the terms of which are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation by the auditors

The Company's auditor was engaged to review the continuing connected transactions contemplated under the E-commerce Services Framework Agreement, the Property Leasing Framework Agreement and the Logistics Services Framework Agreement. The auditors have, based on the work performed, provided a letter to the Directors confirming that nothing has come to their attention that causes them to believe that such continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iii) have exceeded the relevant annual caps.

The Directors confirmed that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

RETIREMENT SCHEMES

Particulars of retirement schemes of the Group are set out in note 13 to the consolidated financial statements.

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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

MANAGEMENT CONTRACTS

No contracts (other than service contracts with Directors as disclosed) concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

USE OF PROCEEDS FROM THE COMPANY'S GLOBAL OFFERING

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

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds HK$ million	For the year ended 29 February 2020 Utilized amount HK$ million	As at 29 February 2020 Unutilized amount HK$ million
Investing in technology initiatives to accelerate the digital transformation of the business	800.0	129.0	671.0[2]
Repaying outstanding amounts due to Belle International and fellow subsidiaries	3,717.4	3,717.4	–
Repaying short-term bank borrowings	2,210.5	2,210.5	–
Working capital and other general corporate purposes	538.2	538.2	–
Settlement of dividend payable	422.9	300.0	122.9[3]
Total[1]	7,689.0	6,895.1	793.9

Note:

(1) The total amount of net proceeds increased from HK$7,622.1 million (as stated in the interim report 2019/20 issued on 23 October 2019) to HK$7,689.0 million as the final listing expenses is less than estimated.

(2) The balance of unutilized amount on Investing in technology initiatives to accelerate the digital transformation of the business is expected to be fully utilized by end of February 2025.

(3) The balance of settlement of dividend payable is expected to be fully utilized by end of February 2021.

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE PRACTICE

A Corporate Governance Report is set out on pages 33 to 44 of this report.

ENVIRONMENT, SOCIAL AND GOVERNANCE

The Environmental, Social and Governance Report is set out on pages 45 to 63 of this report.

SUBSEQUENT EVENT

Saved as disclosed above, there are no other significant events subsequent to 29 February 2020 which would materially affect the Group's operating and financial performance as of the date of this report.

AUDITOR

The consolidated financial statements for the year ended 29 February 2020 have been audited by PricewaterhouseCoopers, which will retire at the conclusion of the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as the auditor of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

SHENG Baijiao
Chairman

Hong Kong, 25 May 2020

EXECUTIVE DIRECTOR

Mr. YU Wu (于武) ("Mr. Yu"), aged 53, is the Executive Director and Chief Executive Officer of the Company. Mr. Yu joined the Group in June 2006 and was appointed as a Director in September 2018 and was re-designated as the Executive Director and Chief Executive Officer on 20 June 2019.

Mr. Yu has more than 27 years of experience in the footwear and sportswear business. He is primarily responsible for the overall strategic planning of the Group and the management of the Group's business. Mr. Yu graduated from Shandong Jianzhu University (山東建築大學) (formerly known as Shandong Institute of Architectural Engineering (山東建築工程學院)) in June 1989 with a bachelor of engineering in civil engineering. In July 2015, he was appointed as a director of Belle International Holdings Limited ("Belle International") which is a controlling shareholder of the Company. Mr. Yu holds directorships in certain subsidiaries of the Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee.

NON-EXECUTIVE DIRECTORS

Mr. SHENG Baijiao (盛百椒) ("Mr. Sheng"), aged 68, joined the Group since June 2006 and was appointed as a Non-Executive Director on 20 June 2019 and the Chairman of the Board on 6 September 2019.

Mr. Sheng has more than 28 years of experience in the footwear industry. He is primarily responsible for providing advice on business development of the Group and participating in decision making of important matters of the Group. Mr. Sheng is currently the chairman of the Shenzhen Leather Association. Mr. Sheng was appointed as a director of Belle International; and has been responsible for high-level strategic planning and management of retail sales of its footwear business. He is an uncle of Mr. Sheng Fang, another Non-executive Director.

Mr. SHENG Fang (盛放) ("Mr. Sheng Fang"), aged 47, joined the Group in June 2006 and was appointed as a Non-executive Director on 20 June 2019.

Mr. Sheng Fang has more than 20 years of experience in the management of footwear business. He is primarily responsible for participating in decision making of important matters of the Group. In May 2015, Mr. Sheng Fang was appointed as a director of Belle International; and has been primarily responsible for the operation management of Belle International Group's footwear and apparel business and has been the president of the apparel business division and the president of the footwear business division of Belle International Group since November 2015 and July 2017, respectively. Since August 2013, he has also been a non-executive director of Baroque Japan Limited (a company listed on Tokyo Stock Exchange, stock code: 35480). He is the nephew of Mr. Sheng Baijiao, another Non-executive Director.

Mr. CHOW Kyan Mervyn (周紀恩) ("Mr. Chow"), aged 48, joined the Group and was appointed as a Non-executive Director on 20 June 2019. Mr. Chow is responsible for participating in decision making of important matters of the Group.

Mr. Chow is a partner of Hillhouse Capital Management, Ltd. ("Hillhouse Capital"). Mr. Chow has over 20 years of experience in Asia Pacific investment banking. Prior to joining Hillhouse Capital in March 2018, he was the Chief Executive Officer for Greater China and Co-Head of Investment Banking and Capital Markets Asia Pacific for Credit Suisse (Hong Kong) Limited. He was responsible for the bank's sector and country corporate coverage groups, mergers & acquisitions and capital markets in Asia as well as the overall strategy for the bank in Greater China.

Mr. Chow received his bachelor of arts in Economics from the University of California at Berkeley in May 1994 and his master of arts in International Policies Studies from Stanford University in June 1995.

Ms. YUNG Josephine Yuen Ching (翁婉菁) ("Ms. Yung"), aged 36, joined the Group and was appointed as a Non-executive Director on 20 June 2019. She is responsible for participating in decision making of important matters of the Group.

Ms. Yung is an associate general counsel at Hillhouse Capital and has more than 10 years of experience in legal advising on corporate transactions. Prior to joining Hillhouse Capital in 2018, she practiced as an attorney at leading international law firms, including Ropes & Gray, Weil, Gotshal & Manges and Linklaters. Ms. Yung received the degree of bachelor of arts in economics in October 2008, the degree of juris doctor in June 2008 and the degree of bachelor of arts with honors in business administration in October 2005 from Western University in Canada. She has been admitted to practice as an attorney and counselor at law in all courts of the State of New York in the United States since April 2010. In April 2019, she also has been admitted as a solicitor of the High Court of Hong Kong.

Ms. HU Xiaoling (胡曉玲) ("Ms. Hu"), aged 49, joined the Group in June 2006 and was appointed as a Non-executive Director on 20 June 2019. She is primarily responsible for participating in decision making of important matters of the Group.

Ms. Hu joined CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Hong Kong) Limited. Prior to joining CDH Investments, Ms. Hu worked at the direct investment department of China International Capital Corporation Limited and at Arthur Andersen LLP.

Ms. Hu has been a non-executive director of Dali Foods Group Company Limited (a company listed on the Stock Exchange, stock code: 3799) since May 2015 and Baroque Japan Limited (a company listed on Tokyo Stock Exchange, stock code: 35480) since August 2013. Ms. Hu has been a director of Belle International. Since June 2020, Ms. Hu has been a managing director of Dinghui Investments Management (Xiamen) Co., Ltd. She has also served as a director of Midea Group Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 000333) from August 2012 to August 2017, and a director of Anhui Yingliu Electromechanical Co., Limited (a company listed on Shanghai Stock Exchange, stock code: 603308) from March 2011 to April 2017. Ms. Hu had also been a director of Beijing Motie Book Corporation Company from July 2010 to December 2017.

Ms. Hu graduated from Beijing Jiaotong University (北京交通大學) (formerly known as Northern Jiaotong University (北方交通大學)) with bachelor's degree in economics in July 1992 and with master's degree in economics and accounting in March 1995. She is a fellow member of the Association of Chartered Certified Accountants and a qualified Certified Public Accountant.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Yiu Kin (林耀堅) ("Mr. Lam"), aged 65, was appointed as an Independent Non-executive Director on 20 June 2019 with effect on 26 September 2019. Mr. Lam is responsible for supervising and providing independent judgment to the Board. He is the chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee.

Mr. Lam was a partner of PricewaterhouseCoopers from July 1993 to June 2013. Mr. Lam graduated from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) with a higher diploma in Accountancy in October 1975 and was conferred Honorary Fellow of The Hong Kong Polytechnic University in November 2002. He has been an associate of The Institute of Chartered Secretaries and Administrators since December 1979 and a fellow or fellow member of each of the Association of Chartered Certified Accountants since June 1983; the Hong Kong Institute of Certified Public Accountants since June 1989; the Institute of Chartered Accountants in Australia and New Zealand since June 1999; and the Institute of Chartered Accountants in England and Wales since January 2015.

Mr. Lam has been an independent non-executive director of each of Shanghai Fudan Zhangjiang Bio-Pharmaceutical Co., Ltd. (stock code: 1349) since October 2013; Vital Innovations Holdings Limited (stock code: 6133, previously known as Vital Mobile Holdings Limited) since September 2014; Spring Real Estate Investment Trust (stock code: 1426) since January 2015; Global Digital Creations Holdings Limited (stock code: 8271) since July 2015; Shougang Concord Century Holdings Limited (stock code: 0103) since August 2015; COSCO SHIPPING Ports Limited (stock code: 1199) since August 2015; Nine Dragons Paper (Holdings) Limited (stock code: 2689) since March 2016; WWPKG Holdings Company Limited (stock code: 8069) since December 2016; CITIC Telecom International Holdings Limited (stock code: 1883) since June 2017; and Bestway Global Holding Inc. (stock code: 3358) since October 2017. He was an independent non-executive director of Mason Group Holdings Limited (stock code: 0273), a company listed on the Main Board of the Stock Exchange, from August 2015 to May 2017.

Mr. HUA Bin (華彬) ("Mr. Hua"), aged 48, was appointed as an Independent Non-executive Director on 20 June 2019 with effect on 26 September 2019. Mr. Hua is responsible for supervising and providing independent judgment to the Board. He is the chairman of the Remuneration Committee and a member of the Audit Committee.

Mr. Hua has been a managing director for the Asia-Pacific region of Booking.com since October 2013 where he is responsible for developing and executing the company's business strategy in the Asia Pacific region. Mr. Hua received his bachelor degree in economics from Beijing International Studies University in China in July 1993. He obtained a master of business administration from China Europe International Business School in China in November 1997 and completed an exchange term at IESE Business School of the University of Navarra in Spain in December 1997.

Mr. HUANG Victor (黃偉德) ("Mr. Huang"), aged 49, was appointed as an Independent Non-executive Director on 20 June 2019 with effect on 26 September 2019. Mr. Huang is responsible for supervising and providing independent judgment to the Board. He is a member of the Audit Committee and the Nomination Committee.

Mr. Huang was a partner of KPMG from July 2014 to August 2017 and a partner of PricewaterhouseCoopers Limited from July 2005 to July 2014, with over 27 years of experience in finance, accounting and mergers and acquisitions. Mr. Huang graduated from The University of California, Los Angeles in the United States with a degree of bachelor of arts with a major in Business-Economics in September 1992. He has been a member of The Hong Kong Institute of Certified Public Accountants since June 1996 and a Certified Independent Director of the Shanghai Stock Exchange since June 2018.

Mr. Huang has been an independent non-executive director of each of China Bright Culture Group (stock code: 1859) since March 2020; Scholar Education Group (stock code: 1769) since June 2019; ManpowerGroup Greater China Limited (stock code: 2180) since March 2019; Trinity Limited (stock code: 891) since December 2018; Qingdao Haier Biomedical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688139) since August 2018 and Laobaixing Pharmacy Chain Joint Stock Company (a company listed on the Shanghai Stock Exchange, stock code: 603883) since February 2018.

SENIOR MANAGEMENT

Mr. TIAN Zhong (田忠) ("Mr. Tian"), aged 49, joined the Group in June 2015 and was appointed as a vice president of the Company on 20 June 2019. He is primarily responsible for the mono-brand business line operation.

Mr. Tian has more than 15 years of industry experience in the sportswear business. Prior to joining the Group, he worked as a retail manager in Nike Sports (China) Co., Ltd. from April 1997 to May 2006, where he was responsible for northern China sales and retail operations. After his departure from Nike Sports (China) Co., Ltd., Mr. Tian served as a general manager in Shenyang Pengda Sporting Goods Co., Ltd. (瀋湯鵬達體育用品有限公司) (now known as Shenyang Lingpao Sports Product Co. Ltd. (瀋陽領跑體育用品有限公司)) before commencing his postgraduate study at the Beijing Normal University (北京師範大學) in September 2011. In June 2015, Mr. Tian joined the sports business division of Belle International which now forms part of the Group and was promoted as the deputy general manager in July 2017.

Mr. Tian received his bachelor's degree in physical education from the Capital University of Physical Education and Sports (首都體育學院) (formerly known as Beijing Physical Education Normal College (北京體育師範學院)) in July 1994, and he completed the postgraduate course in development and education psychology in Beijing Normal University (北京師範大學) in September 2013.

Mr. ZHANG Qiang (張強) ("Mr. Zhang"), aged 47, joined the Group in May 2005 and was appointed as a vice president of the Company on 20 June 2019. Mr. Zhang is primarily responsible for the corporate functions and innovation businesses of the Group. He is also a director of one of the PRC subsidiaries.

Mr. Zhang has more than 24 years of industry experience in the sportswear business. He joined the Group in May 2005 and, in June 2006, he was appointed as the deputy general manager of the sports business division of Belle International which now forms part of the Group. Prior to joining the Group, he worked for Nike Sports (China) Co., Ltd. from October 1995 to April 2005, with his last position as a national sales manager primarily responsible for sales and channel development as well as sales team management.

Mr. Zhang obtained his bachelor's degree in industrial global trade from Hangzhou Dianzi University (杭州電子科技大學) in July 1995.

Mr. CHAI Xiaoji (柴曉佶) ("Mr. Chai"), aged 47, joined the Group in June 2006 and was appointed as a vice president of the Company on 20 June 2019. He is primarily responsible for the multi-brand business line operation and channel management.

Mr. Chai has over 20 years of industry experience in the retail business. Mr. Chai joined the Belle International Group in 1999. In June 2006, Mr. Chai joined the sports business division of Belle International which now forms part of the Group and was promoted as the deputy general manager in September 2007.

COMPANY SECRETARY

Mr. LEUNG Kam Kwan (梁錦坤) ("Mr. Leung"), aged 56, was appointed as the company secretary of the Company in May 2019.

Mr. Leung has more than 26 years of experience in accounting, financial management and internal control. Mr. Leung joined the Group in June 2006 and has served as the company secretary and chief financial director of Belle International. Prior to joining the Group and the Belle International Group in September 2004, Mr. Leung had held senior positions in accounting and finance fields at various companies in Hong Kong since February 1992. Mr. Leung obtained his bachelor's degree in accounting from City University of Hong Kong in November 1993. He is also a fellow member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants, as well as a member of the Hong Kong Institute of Chartered Secretaries.

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 shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 October 2019 (the "Listing Date").

CODE PROVISION A.5.1

Under the code provision A.5.1 of the CG 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 Wu 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 Wu 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 is of the view that the Company has complied with all applicable code provisions as set out in the CG Code during the period from the Listing Date to 29 February 2020, save for code provision A.5.1 of the CG Code as disclosed above.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct for Directors' securities transactions. After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code from the Listing Date and up to the date of this report.

BOARD

The Board is committed to providing effective and responsible leadership for the Company. The Directors, individually and collectively, must act in good faith in the best interests of the Company and its shareholders.

As at 29 February 2020, the Board comprised one Executive Director, five Non-executive Directors and three Independent Non-executive Directors. The Board has established three Board committees, being the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee different areas of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to shareholders upon request.

The composition of the Board and the Board committees are given below and their respective responsibilities and work performed during the year are discussed in this report.

Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Director			
Mr. YU Wu *(Chief Executive Officer)*	N/A	✓	✓
Non-executive Directors			
Mr. SHENG Baijiao *(Chairman)*	N/A	N/A	N/A
Mr. SHENG Fang	N/A	N/A	N/A
Mr. CHOW Kyan Mervyn	N/A	N/A	N/A
Ms. YUNG Josephine Yuen Ching	N/A	N/A	N/A
Ms. HU Xiaoling	N/A	N/A	N/A
Independent Non-executive Directors			
Mr. LAM Yiu Kin	✓	✓	✓
Mr. HUA Bin	✓	✓	N/A
Mr. HUANG Victor	✓	N/A	✓

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance policies and practices on compliance with legal and regulatory requirements of the Group. Further, it reviews the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments and training, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the Executive Director and members of senior management. The Company maintains appropriate directors' and officers' liabilities insurance, and will conduct annual review on such insurance coverage.

For the year ended 29 February 2020, the Board convened a total of three Board meetings based on the needs of the operation and business development of the Company. Details of attendance of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee meetings are as follows:

	Meetings attended/held			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Mr. YU Wu *(Chief Executive Officer)*	3/3	N/A	–/–	–/–
Mr. SHENG Baijiao^ *(Chairman)*	3/3	N/A	N/A	N/A
Mr. SHENG Fang^	3/3	N/A	N/A	N/A
Mr. CHOW Kyan Mervyn^	3/3	N/A	N/A	N/A
Ms. YUNG Josephine Yuen Ching^	3/3	N/A	N/A	N/A
Ms. HU Xiaoling^	3/3	N/A	N/A	N/A
Mr. LAM Yiu Kin@	3/3	1/1	–/–	–/–
Mr. HUA Bin@	3/3	1/1	–/–	N/A
Mr. HUANG Victor@	3/3	1/1	N/A	–/–

^ Non-executive Director
@ Independent Non-executive Director

Under the code provision A.1.1 of the CG Code, Board meetings should be held at least 4 times a year at approximately quarterly intervals. Since the shares of the Company were listed on 10 October 2019, the Directors consider that they have complied with the CG Code even though the Board only had three meetings during the year ended 29 February 2020. Going forward, the Board will meet regularly and schedule to meet at least four times every year at approximately quarterly intervals in accordance with the CG Code. Apart from regular Board meetings, the Chairman will also hold meeting annually with the Independent Non-executive Directors without the presence of other Directors.

For the year ended 29 February 2020, the Board has reviewed the Group's corporate governance policies and practices, training and continuous professional development of its Directors and senior management, the Group's Model Code (as defined below), and the Group's compliance with the CG Code.

The Board members have no financial, business, family or other material/relevant relationships with each other save that Mr. SHENG Baijiao is an uncle of Mr. SHENG Fang. In the Board's opinion, this relationship does not affect the Directors' independent judgment and integrity in executing their roles and responsibilities. The Non-executive Directors and the Independent Non-executive Directors bring a variety of experience and expertise to the Company.

In compliance with Rules 3.10 and 3.10(A) of the Listing Rules, the Company has appointed three Independent Non-Executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. Each of the Independent Non-executive Directors has confirmed with the Company in writing his independence from the Company in accordance with Rule 3.13 of the Listing Rules. On this basis, the Company considers all Independent Non-executive Directors to be independent.

Biographical details of the Directors and senior management of the Company as at the date of this report are set out on pages 29 to 32 of this annual report.

Given the composition of the Board and the skills, knowledge and expertise that each Director brings to bear in its deliberations, the Board believes that it is appropriately structured to provide sufficient checks and balances to protect the interests of the Group and the shareholders. The Board will review its composition regularly to ensure that it has the appropriate balance of expertise, skills and experience to continue to effectively oversee the business of the Company.

RESPONSIBILITIES OF THE BOARD AND THE MANAGEMENT

The Board reserves for its decision on all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Group are delegated to the management.

DIRECTORS' TRAINING

Upon appointment to the Board, the Directors receive a package of orientation materials on the Group and are provided with a comprehensive introduction to the businesses of the Group by senior executives.

As a matter of continuing professional development training, the Company provides training and briefing sessions to all the Directors during the year ended 29 February 2020, to ensure that they are apprised of the latest development regarding the Listing Rules and other applicable statutory requirements and to refresh their knowledge and skills in relation to their contribution to the Board. In addition, all the Directors have been developing and refreshing their skills and knowledge by studying relevant materials from time to time concerning directors of listed companies.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Nomination Committee took into consideration criteria such as difference in skills, experience and background, geographical and industry experience, ethnicity, gender, knowledge and length of service and other qualities of the members of the Board when considering the appointment of new Directors. Currently, all Directors are appointed for a specific term of three years.

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any persons as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. Accordingly, Mr. SHENG Baijiao, Mr. SHENG Fang, Mr. CHOW Kyan Mervyn, Ms. YUNG Josephine Yuen Ching, Ms. HU Xiaoling, Mr. LAM Yiu Kin, Mr. HUA Bin and Mr. HUANG Victor will retire from office at the AGM and, being eligible, offer themselves for re-election.

In addition, pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. YU Wu will retire from office at the AGM and, being eligible, offer himself for re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are Mr. SHENG Baijiao and Mr. YU Wu respectively. The roles of the Chairman and Chief Executive Officer are segregated to assume a balance of authority and power. The Chairman is responsible for the leadership and effective running of the Board, while the Chief Executive Officer is delegated with the authorities to manage the business of the Group in all aspects effectively. The reasonable division of work under the laws ensures a definite division between power and obligations with clear-cut and efficient decisions and implementations by the Board and the management.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise the financial reporting process 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.

According to paragraph C.3.3(e)(i) of the CG Code, the Audit Committee must meet with the Company's auditors at least twice a year. The Audit Committee met once during the year ended 29 February 2020. All members of the Audit Committee attended the meeting. Going forward, the Audit Committee will schedule to meet at least twice per year and will meet with the Company's external auditors regarding the review of the Company's financial report and accounts at least twice a year.

Major work completed by the Audit Committee during the year includes:

– reviewing the Group's interim report, interim financial information;

– reviewing accounting policies adopted by the Group and issues related to accounting practice;

– reviewing the external auditor's qualifications, independence and performance;

– reviewing the external auditor's management letter and the management's response;

– assisting the Board to evaluate on the effectiveness of financial reporting procedures and internal control system; and

– advising on material event or drawing the attention of the management on related risks.

The consolidated financial statements of the Group for the year ended 29 February 2020 have been reviewed by the Audit Committee. The Audit Committee is of the view that the consolidated financial statements of the Group for the year ended 29 February 2020 comply with the applicable accounting standards and the Listing Rules, and that sufficient disclosures have been made.

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;

– determining the terms of specific remuneration package 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.

The Remuneration Committee did not hold any meetings during the year ended 29 February 2020 since the shares of the Company were listed on 10 October 2019. Going forward, the Remuneration Committee will hold at least one meeting each year to perform its duties.

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 Board diversity, where appropriate, before making recommendation to the Board.

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.

The Nomination Committee did not hold any meeting during the year ended 29 February 2020 since the shares of the Company were listed on 10 October 2019. Going forward, the Nomination Committee will hold at least one meeting each year to perform its duties.

DIRECTOR NOMINATION POLICY

The Company has clear basis and procedures for the nomination and appointment of Directors. The Board will take into account factors such as qualifications, skills, experience, character and integrity, independence and diversity of the candidates, and whether or not the candidate is willing and able to devote adequate time to discharge duties as a member of the Board and Board committee upon receipt of the proposal of appointment of new Directors or the nomination proposal made by shareholders at general meetings of the Company. When Directors are re-elected at general meetings, apart from the above standards, the Board will also review the overall contributions and services of retiring Directors to the Company and their level of participation and performance in the Board.

DIVERSITY

The Group has adopted a diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board. Pursuant to the Board Diversity Policy, the Company seeks to achieve diversity of the Board through the consideration of a number of factors when selecting candidates to the Board, including but not limited to professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service.

The Directors have a balanced mix of knowledge and skills, including in management, strategic development, business development, sales and marketing, finance and accounting, legal, investments and the sportswear retail business. They obtained degrees in various areas such as engineering, economics, international policies and juris doctor.

The Board is responsible for reviewing the diversity of the Board. During the year ended 29 February 2020, the Board has monitored the implementation of the Board Diversity Policy, reviewed the Board Diversity Policy and is satisfied with its effectiveness to achieve the diversity of the Board.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements for each financial period to ensure that they give a true and fair view of the financial position of the Company and the Group, and of the Group's financial performance and cash flows for that period. The Directors also ensure the timely publication of the financial statements of the Company. The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently, and that judgments and estimates made are prudent and reasonable.

The statement by the auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 64 and 68.

COMPANY SECRETARY

Mr. LEUNG Kam Kwan is the Company Secretary of the Company. He has day-to-day knowledge of the Company and is responsible for advising the Board on corporate governance matters. The biographical information of Mr. LEUNG Kam Kwan is set out in the section headed "Board of Directors and Senior Management" on page 32 of this annual report. Mr. LEUNG Kam Kwan has confirmed that he has taken not less than 15 hours of relevant professional training during the year ended 29 February 2020 in compliance with Rule 3.29 of the Listing Rules.

In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL

A sound and effective system of risk management and internal control is designed to achieve the Group's objectives and safeguard shareholder investments and the Group's assets.

The Board acknowledges its responsibility to establish, maintain, and review the effectiveness of the Group's risk management and internal control system. Such systems are designed to manage rather than eliminate risk of failure to achieve business and strategic objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. With the support from the Audit Committee, the Board monitors the Group's risk exposures, oversees the actions of management and monitors the overall effectiveness of the risk management and internal control systems on an ongoing basis. Management is responsible for setting the appropriate tone from the top, performing risk assessments, and owning the design, implementation and maintenance of internal control. Policies and procedures form the basis and set forth the control standards required for functioning of the Group's business entities. These policies and procedures covered various aspects, including operations, finance & accounting, human resources, regulatory & compliance, delegation of authority, etc.

1. Risk Identification	2. Risk Assessment	3. Risk Response	4. Risk Report
Identify the Group's key risk in each of the following categories: business & strategic, operational, and regulatory compliance.	Design risk assessment questionnaire to understand and assess the risk level of each key risk and whether the Group's existing procedures and controls are adequate.	Propose and recommend mitigating controls for each identified key risk and assist process owners or business units to implement relevant remedial measures.	Report to the Board and senior management on the implementation of the remedial measures. Follow-up on the implementation status of these remedial measures.

An annual enterprise-wide risk assessment has been performed to evaluate the nature and extent of the risks to which the Group is willing to take in achieving its strategic objectives. During the risk assessment process, the Group has identified a number of key risks that may impact the Group's strategic objectives in responding to the changes in the business and external environment. These risks are prioritized according to the likelihood of their occurrence and the significance of their impact on the business of the Group.

INTERNAL AUDIT

The Group has established an internal audit department (the "Internal Audit Department"). The Internal Audit Department is independent from operation management and has full access to data required in performing internal audit reviews. Internal audits are conducted according to the annual internal audit plan to review the major operational, financial, compliance and risk management controls of the Group. During the process of the internal audits, the Internal Audit Department will identify internal control deficiencies and weaknesses and propose recommendations for improvements. Internal audit findings and control deficiencies are communicated to internal audit team and the management, who is responsible for ensuring the deficiencies are rectified within a reasonable period. A follow-up review is also performed to ensure the remedial actions are implemented.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for maintaining an adequate risk management and internal control systems to safeguard shareholder investments and Group assets. For the financial year ended 29 February 2020, the Board along with the Audit Committee has conducted a comprehensive review of the Company's risk management and internal control systems. The review has covered the period from 1 March 2019 to 29 February 2020 and all material controls, including financial control, operational control and compliance controls, and considered the changes in the nature and extent of significant risks as well as the Company's ability to respond to changes in its business and the external environment. The Board considers that the Company has complied with the risk management and internal control provisions of the CG Code, and considers such systems are effective and sufficient. The Board has also reviewed the resources of accounting, internal audit and financial reporting functions, staff qualifications and experience, training programs and related budgets, as well as procedures related to financial reporting and compliance with the Listing Rules, and considered them effective and sufficient.

INSIDE INFORMATION

The Group is aware of its obligation under relevant sections of the Securities and Futures Ordinance and Listing Rules. For the year ended 29 February 2020, the Group has implemented procedures and internal controls for the handling and dissemination of inside information, including:

- having its own procedures in place to preserve the confidentiality of price-sensitive and/or inside information relating to the Group;
- communicating such procedures to all Directors, senior management and relevant employees who are likely to have access to price-sensitive and/or inside information, and reminding them from time to time that they are required to comply with such procedures; and
- conducting its affairs with close regard to the disclosure requirement under the Listing Rules and the related guidance.

DIVIDEND POLICY

As a Cayman Islands company, any dividend recommendation will be made at the discretion of the Directors subject to the Cayman Companies Law and the Articles of Association. The declaration, payment and amount of dividends will depend on the results of operations, financial condition, strategies or needs of future expansions, the Group's capital expenditure needs, dividends paid to by the Company's subsidiaries, contractual and legal restrictions and other factors that the Directors may deem relevant. Subject to the above limitations, the Company expects that it may, from time to time, pay dividends of approximately 50% of the annual net profit attributable to the equity holders of the Company. The Company may, however, adjust the dividend amount for one-off or non-cash items impacting the Group's net profit.

REMUNERATION POLICY

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.

During the year, details of benefits and interests of Directors, Chief Executive Officer and five highest paid individuals, and senior management remuneration by band for the year are set out in note 13 and 14(a) to the consolidated financial statements.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the Company's independent auditor, PricewaterhouseCoopers, and their affiliated firms, for its audit/audit related services and non-audit services for the year ended 29 February 2020 were RMB5.2 million and RMB0.7 million, respectively. In addition, professional services fee paid to PricewaterhouseCoopers in connection with the initial public offerings of the shares of the Company were RMB13.2 million.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 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 2020.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to being a successful and responsible corporate citizen. As such, the Group is committed not only to delivering quality products and service to customers of the Group and strong and sustained financial performance to shareholders of the Group. The Group is also committed to contributing into the communities where the Group conduct business. The Group aims to achieve this by, among others, ensuring that employees of the Group are treated with fairness and respect; and at all times achieving the goals of the Group through environmentally friendly means.

ENVIRONMENT AND COMPLIANCE WITH LAWS

The Group is committed to minimising the impact on the environment from the business activities and the details of such efforts are set out in the Environmental, Social and Governance Report in this annual report. As far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

MATERIAL CHANGE IN THE ARTICLES OF ASSOCIATION

In preparation for the listing of the shares on the Main Board of the Stock Exchange, the Company has passed the resolution of shareholders to conditional adopt the amended and restated memorandum and articles of association on 6 September 2019 with effect from the Listing Date.

No changes have been made to the Articles of Association by the Company from the Listing Date up to 29 February 2020.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognizes that the interests of stakeholders are vital to the sustainable development of its business operation and is committed to maintaining effective communication with the major stakeholders, including customers, brand partners and employees to enhance the relationship and cooperation for the long term development of the Group. The information on how the Group communicates with different stakeholders are set out on page 46 of the Environmental, Social and Governance Report.

INVESTOR AND SHAREHOLDER RELATIONS

The Board is dedicated to maintain an on-going dialogue with the investors and the shareholders of the Company. Information is communicated to the investors and the shareholders mainly through the Company's financial reports (interim and annual reports), general meetings, as well as by making available all the disclosures submitted to The Stock Exchange and its corporate communications and other corporate publications on the Company's website. Investors and analysts briefings and roadshows, and press conferences are conducted on a regular basis in order to facilitate communication between the Company, the investors and the shareholders. The Board strives to ensure effective and timely dissemination of information to the investors and the shareholders at all times and reviews regularly the above arrangements to ensure its effectiveness.

To facilitate the exchange of views between the shareholders and the Board, the Board members (or their delegates (if applicable)), appropriate executive management personnel and the external auditor will attend the AGM and answer the questions raised by the shareholders.

SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, enable all its shareholders an equal opportunity to exercise their rights in an informed manner and allow all shareholders to engage actively with the Company.

Under the Articles of Association, the Shareholder Communication Policy and other relevant internal procedures of the Company, the shareholders of the Company enjoy, among others, the following rights:

1. Convening Extraordinary General Meetings

Pursuant to Article 12.3 of the Articles of Association, any one or more members holding not less than one-tenth of the paid-up capital of the Company and carrying the right of voting at general meetings of the Company, shall be entitled to require the convening of a general meeting with a written requisition deposited at the principal office of the Company in Hong Kong and specifying the objects of the meeting and signed by the requisitionist. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Shareholders may also contact the Investor Relations Department of the Company from time to time to understand the information published by the Company. The Company will inform the shareholders of the designated e-mail address and enquiry hotline of the Company so that they can make any inquiries of the Company.

2. Participation at General Meetings

The Company encourages shareholders to participate in general meetings, either in person or via proxies, to exercise their rights. The general meetings provide important opportunities for shareholders to express their views to the Board and management. The Company provides details of the general meetings to the shareholders in a notice prior to the meeting in compliance with the Articles of Association of the Company and the Listing Rules. Shareholders are encouraged to ask questions about or comment on the results, operations, strategy and/or management of the Group at general meetings. The chairman of the Board committees, appropriate management executives and auditors of the Company will be available at general meetings to answer questions from shareholders. Time is set aside in each general meeting for such question and answer session.

3. Enquiries and Proposals to the Board

Enquiry may be made to the Board at the principal place of business of the Company in Hong Kong at 10/F Belle Tower, 918 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.

The Company publishes on its website (www.topsports.com.cn) the latest company news relating to the Group on a regular basis. The public is welcome to provide opinions and make inquiries through the Company's website.

The Shareholder Communication Policy sets out detailed procedures under which the shareholders of the Company may communicate to the Board any enquiries they may have. All shareholder correspondences received by the Company will be delivered to the Group's investor relation staff for an initial review. The investor relation staff will maintain a log of the correspondences and forward either a summary or a copy of the correspondences to the Board for consideration at its next meeting.

1. About This Report

Scope of the report

This report covers the Group's performance in fulfilling its environmental and social responsibilities during the period from 1 March 2019 to 29 February 2020.

Preparation standards of the report

This report was prepared in strict compliance with the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Taken "significant" and "quantitative", "balance" and "consistency" principles as disclosure basis, the Group carries out materiality assessment of ESG issues, identifies applicable ESG key performance indicators, and establishes ESG data collection mechanism, so as to present a true, accurate and meaningful comparison of the environmental, social and governance issues of interest to its stakeholders.

Source of information of the report

The information in this report is derived from official system documents, statistical reports or relevant public information of the Group.

2. ESG Management

As an expert in the field of sporting products retail, the Group adheres to the mission of "breaking boundaries through sports and inspire limitless possibilities", and together with brand partners and all participants in the sports industry, creates a positive, healthy and happy sports life experience for customers.

The Group takes ESG governance as a means of promoting sustainable development and establishes sound ESG governance practices and procedures. As the highest decision-making authority of ESG, the Board of the Group takes the lead to oversee ESG issues and is responsible for formulating ESG strategies, assessing ESG risks, supervising ESG management and deliberating ESG reports. Senior management of the Group is responsible for ESG target setting, ESG risk assessment, and review of annual ESG plans and reports. The Internal Audit Department of the Group is responsible for the communication and coordination of daily management of ESG and the preparation of annual report. Given the nature of their functions, the functional departments of the Group are responsible for implementing the corresponding ESG work requirements, appropriately implementing their respective ESG responsibilities, actively carrying out capacity building for sustainable development, and jointly fulfilling the environmental and social responsibilities of the Company.

3. Stakeholders Communication and Materiality Assessment

The Group attaches great importance to the opinions and feedback of stakeholders, and actively builds a platform for communication with all stakeholders.

By understanding the expectations and demands of stakeholders, the Group carefully examines the impact on the environment and society during the development process, and makes reasonable plan for the follow-up work, so as to realize the coordinated development of the economic, social and environmental benefits of the Company.

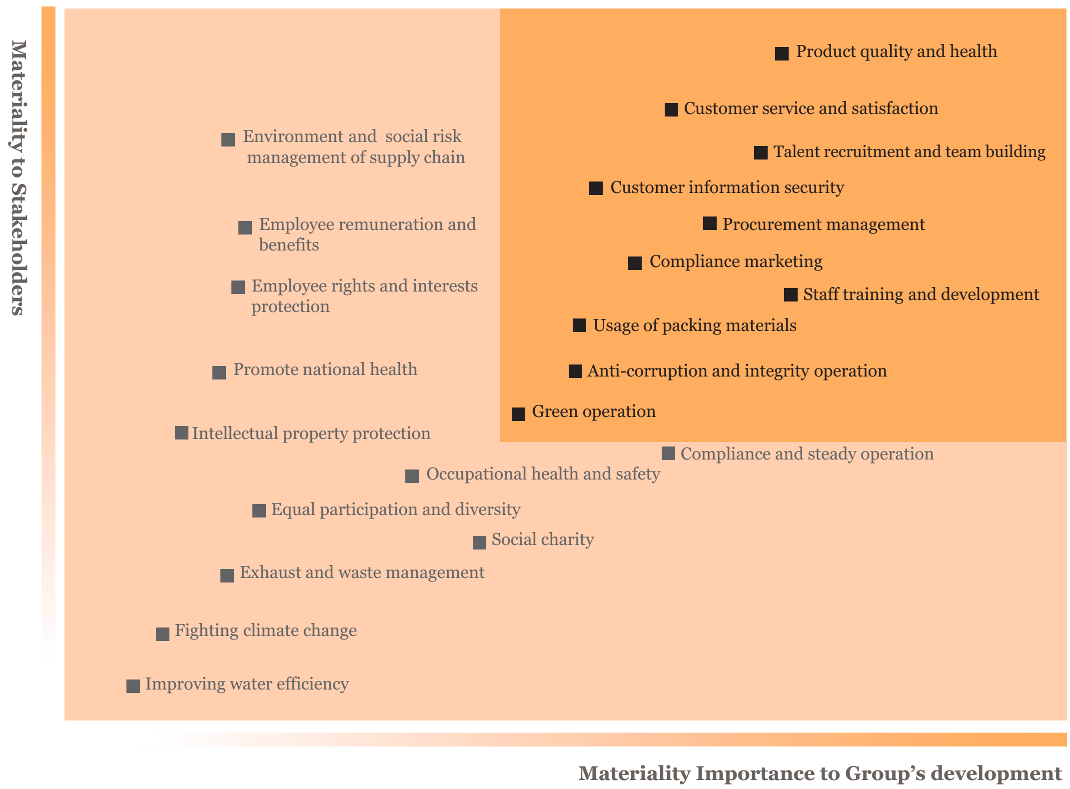
3.1 Communication mechanism of stakeholders

Groups of stakeholders	Concerns and Expectations	Communications and Responses
Government and regulatory authorities	• Operate in compliance and pay taxes according to law • Responding to national policies • Project cooperation	• Continuously strengthen corporate compliance management • Implement requirements of relevant national policies • Drive employment
Investors and shareholders	• Financial performance • Information disclosure and transparency • Sustainable earnings	• Strengthen market value management • Improve performance • Regular multi-channel communication and reporting
Customers	• Product quality assurance • Customer service quality • Customer information protection • Compliance in marketing	• Optimize product and service quality • Improve customer service system • Strengthen cyber security • Legal and compliance marketing
Employees	• Employee rights and interests protection • Employee development opportunities • Employee remuneration and benefits • Care for employees	• Improve remuneration and welfare protection mechanism • Organize staff trainings and optimize promotion mechanism • Organize staff activities and care for staff health • Establish a multi-channel communication platform
Suppliers and cooperation partners	• Integrity cooperation • Win-win cooperation • Fair and open	• Sound supplier management mechanism • Create responsible supply chain • Carry out project cooperation
Industry associations and media	• Compliance with the industry's practices • Promote industry development • Transparent and open information	• Participate in industry discussions and communication • Promote industry sustainable development • Optimize opinion feedback mechanism
Community	• Community engagement • Performance of community responsibility	• Participate in community charity activities • Promote national fitness

3.2 Materiality assessment of ESG issues

In order to better understand the needs of stakeholders, the Group invites the third party consultants to help review and determine the list of ESG issues, comprehensively assess the materiality ranking of ESG issues for current financial year through industry analysis and the opinions from stakeholders and draw a materiality matrix to help the Group specifically carry out social responsibility work.

Set out below are the results of materiality assessment for current financial year:



Materiality of the issues	Ranking	ESG material issues	Areas of ESG
Very material	1	Product quality and health	Operation
	2	Customer service and satisfaction	Operation
	3	Talent recruitment and team building	Employment
	4	Customer information security	Operation
	5	Procurement management	Operation
	6	Compliance marketing	Operation
	7	Staff training and development	Employment
	8	Usage of packaging materials	Environment
	9	Anti-corruption and integrity operation	Operation
	10	Green operation in stores	Environment
Material	11	Environment and social risk management of supply chain	Operation
	12	Compliance and steady operation	Operation
	13	Employee remuneration and benefits	Employment
	14	Employee rights and interests protection	Employment
	15	Promote national health	Community
	16	Intellectual property protection	Operation
	17	Occupational health and safety	Employment
	18	Equal participation and diversity	Employment
	19	Social charity	Community
	20	Exhaust and waste management	Environment
	21	Fighting climate change	Environment
	22	Improving water efficiency	Environment

According to the result of materiality assessment, product quality and health, customer service and satisfaction, talent recruitment and team building are the most important ESG management topics. Given the Group's business characteristics, the environmental impact of daily operations is insignificant, so environmental issues are ranked low. The Group firmly believes that against the background of rapid development, product quality and service optimization are the core of an enterprise's sustainable development, talent introduction and capacity building are important tasks to promote an enterprise's strategic development, and compliance operation reflects an enterprise's social responsibility. The Group will continue to explore and improve the relevant management mechanisms and will unswervingly follow the path of sustainable development.

4. Rigorous Quality Control and Devoted Service

The Group adheres to the principal of customer oriented and strictly complies with the relevant laws and regulations such as the Law of the People's Republic of China on Product Quality (《中華人民共和國產品質量法》) and the Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》). By providing comprehensive and high-quality sports products and multiple additional services, the Group has built a super platform that connects consumers and sports ecology, which effectively meets the needs of consumers in sports. During the reporting period, no violation of laws and regulations related to product liability has occurred in the Group.

4.1 Product quality control

The Group upholds a highly responsible attitude towards product quality and health, and insists on the implementation of a series of product quality control systems, such as quality inspection standards for finished shoes and the return of defective products to stores, in order to strictly control product quality and protect the credibility of the Group and its co-brands.

In order to ensure that the product quality meets the standards, the Group implements strict quality inspection and management in the three links of arrival, storage and delivery, and conducts strict and systematic product quality inspection skills training for the staff involved in product quality inspection in the Company's operation and sales process, so as to continuously improve their quality inspection abilities and ensure the coverage and efficiency of quality inspection.

On the basis of strengthening product quality management, the Group has also established a sound problem product handling mechanism, in order to respond quickly to reduce the adverse effects of relevant incidents and comprehensively protect the health and safety of consumers.

4.2 Professional and caring customer service

The Group is committed to develop the sportswear retail and service platform for the core of customer. Considering interaction and service with consumers as a basis of the Group's core competitiveness, the Group enriches the offerings and optimize the salespersons' services level, in order to achieve the improvement of customer satisfaction.

The improvement of customer experience is rooted from the insight of customer needs. Based on the nationwide directly-operated store network and membership platform, the Group provides appropriate sports products and service recommendations according to the analysis of customer needs, so as to create a comprehensive shopping experience. In addition, the Group launched a membership program to increase the closeness with members, and committed to providing members with a wide range of benefits from aspects such as products, services and activities, etc.

The Group's sportswear retail and service platform is built on the solid foundation of the directly-operated store network. Good store services have a direct positive impact on customer satisfaction and loyalty. In order to create high-quality service standards, the Group values the cultivation of service skills, service awareness and products knowledge for the store staff; and establishes an effective mechanism for communication with customers, listening their demands and suggestions and promptly giving feedbacks. Also, the Group establishes a product deployment and management mechanism to ensure sufficient inventory levels for stores; and builds a store comprehensive image from dimensions such as space allocation, color matching and shopping environment, etc. with an aim of providing customers with a professional and comfortable shopping experience.

In order to ensure the effective implementation of high-quality service standard, the Group regularly conducts store inspections, and invites members to perform service evaluation based on shopping experience. In the form of a combination of internal and external evaluations, the internal management level of companies and stores in various regions has been promoted and the customer's shopping experience has continuously improved.

The Group formulated and implemented standardized procedures for after-sales service management, which stipulates the responsibilities for after-sales customer services to reduce the risk of the non-performing services, improve order processing capability, and ensure the timeliness of the after-sales process.

The Group has established a multi-channel customer feedback system to strengthen the response speed and handling efficiency of customer complaints. Customers could conduct after-sales consultation and complaint in stores or through the customer service hotline or online chat at the Internet sales platform. In response to common after-sales consultation problems, the store staff or the online customer service staff shall respond quickly to customer requests according to the Company's standardized procedures related after-sales processing. As for product quality issues, the Group shall return and exchange products for customers by reference to the brand warranty requirements.

4.3 Customers information protection

The Group places great emphasis on the security of customers' personal data, and has strengthened the management of data security to implement the data protection management norms and customers privacy protection policies in accordance to the requirements of the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》) and other applicable laws and regulations. The Group also set up the access permission to employees' data. Meanwhile, the Company had signed the Customers Privacy Protection Agreement with employees like customer service staff mainly to deal with customers' information and keep enhancing the staff's awareness of data protection through training and eliminate the potential publishing or leaking of personal data without obtaining authorization from customers in advance.

In terms of the security management of the system, the Group adopted security protection measures that in line with the industry standards to protect the personal information provided by customers and to prevent unauthorized access, public disclosure, use, modification, damage or loss of the information, so as to effectively protect the information security of customers.

4.4 Selling with compliance

The Group strictly complied with the requirements of the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》) and other applicable laws and regulations and formulated the internal management system for legal marketing to strictly prohibit false promotion, false advertising, and fraud from occurring.

To further strengthening the legal marketing management of the Group, it tightened the approval policy for marketing advertisement by carrying out strict approval process comprising of checking, reviewing and final filing in daily operation, checking the content and pictures published on store websites on different platforms on sample basis to ensure the accuracy and effectiveness of the promotion information for the sake of customers' benefits. On the other hand, the Group strengthened the staff's awareness of legal marketing by providing internal training regarding to the Advertisement Law, forbidden words and cases suspecting of containing forbidden words.

4.5 Protection of intellectual property

The Group strictly adhered to the relevant laws and regulations, including the Intellectual Property Law of the People's Republic of China (《中華人民共和國智識產權法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) to establish its internal management system to standardize the management of the acquisition, confidentiality and filing of intellectual property rights. The Group had designated personnel responsible for the management of intellectual property rights. Their main responsibility was the maintenance of the validness of existing trademarks as well as filing appeal timely to protect the intellectual property rights of the Group from infringement as soon as any illegal use of the trademark and name of the Group being detected in daily monitoring. In terms of the content used in the market activities and published on the public platform, the corresponding use authorization agreements were prepared when involving the use of portraiture right, content to avoid the occurrence of infringement incidents.

5. Talents Recruitment and Promotion of Mutual Development

Talents are the foundation for corporate development. The Group complies with the "Labor Law of the People's Republic of China" (《中華人民共和國勞動法》), the "Labor Contract Law of the People's Republic of China" (《中華人民共和國勞動合同法》) and the "Social Security Law of the People's Republic of China" (《中華人民共和國社會保險法》) and other laws and regulations, actively carries out the construction of a talent team. It has also formulated and rigidly implemented human resources related management system and "Employee Handbook" related to employee management regulations, which form a more dynamic and humanized talent management system from the areas of talent cultivation and incubation, assessment and promotion, and welfare guarantee, so as to realize the employees value and promote the growth of enterprise. During the reporting period, the Group has not identified any cases of non-compliance with laws and regulations related to employment.

5.1 Staff recruitment

The Group believes that the introduction of talents will inject infinite vigor for the enterprise. Therefore, the Group effectively built a talent team through formulating the matching human resources demand planning according to the strategic development objective, flexibly chooses the campus recruitment, network recruitment and other channels, as well as making full use of existing human resources to ensure that talent supply chain could meet the development demand of the Group.

The Group adheres to the principle of open, fair and just recruitment in signing employment contract with the employees in accordance with law and regulating the employment management of the Company, to maintain and develop harmonious employment relations as well as protecting the legitimate interests of both the employees and enterprise.

5.2 Staff training

The Group has established a "Business-oriented to empower Business Development" staff training system, conducted a training demand survey, set training objectives, formulated and implemented training plans in accordance with the internal training related management system to ensure that the business knowledge and the skills of the staffs meet the Group's business development demand.

Based on the staff training system, the Group designs and carries out various types of training courses, covering the new employee induction, employee skill certification, job-specific skills, business knowledge, management ability, professional ethics, corporate culture education and other aspects to ensure that employees in all positions can obtain full range of vocational knowledge and skills upgrading opportunities.

The second TOP Sports Consultant contest

In November 2019, the second "TOP Sports Consultant" Contest of the Group was successfully held, and there were 99 candidates from all over the country participated. This activity was a large-scale national event of the Group, aiming to identify the talents in the whole country from fine selection. Participants could also learn and communicate with each other during the competition to improve their work skills and comprehensive ability.

5.3 Performance appraisal and career advancement

With an aim to uphold the principles of fairness and transparency, The Group regularly assesses employees' work performance, work ability and work attitude in accordance with relevant human resource management systems. The results of employees' assessment are considered as the reference basis for job promotion, annual bonus payment and salary adjustment to motivate the staff to continuously improve their work performance and their own ability thus improving the overall operating efficiency of the Group.

The Group actively explores the career development channels for employees, and selects employees with development potential through internal promotion, offers them oriented development and cultivation, and establishes talent echelon. The Group promote staff depending on their abilities, performance and attitudes to optimize the effective allocation of its internal talent, and thus to motivate employees at every level to fully utilize their potentials.

5.4 Compensation and benefits

The Group has set up a scientific and standardized compensation and benefits guarantee system with transparent management. With an aim to advocate fairness, it organically combines employees' work performance with the company's economic benefits, and fully mobilizes employees' initiatives, while it is also conducive to giving full play to the incentive effect of compensation systems.

The Group provides diversified welfare programs for employees. In addition to statutory benefits, the Group prepares birthday gifts and Spring Festival gifts for employees, and carried out a variety of staff activities to effectively promote employees' happiness and sense of belonging.

5.5 Employees' health and safety

In order to truly protect both the physical and psychological health of employees, the Group provides free health examinations for employees regularly, ensuring they could prevent from diseases in advance or receive treatment in time and holding "health umbrellas" for them.

In strict accordance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Group actively responses to the basic principle of "precaution comes first with a combination of prevention and fighting", specially established a fire safety management system for offices and stores to regulate the fire safety management work according to the environmental characteristics of offices and stores, popularized tips on fire safety among employees and participated actively in fire drills carried out periodically by the property companies. Furthermore, with increasing efforts in inspection and rectification of potential safety production hazard, the Group has maintained its safety facilities in a timely manner, formulated emergency response plan and enhanced safety awareness of employees through safety training so as to truly protect employees' life safety.

5.6 Employee activities

The Group organizes various recreational activities regularly for the purposes of enriching employees' life, passing on corporate culture, strengthening employees' cohesiveness as well as creating harmonious work environment.

Team-building activities

In a large-scale team-building activity organized by the Group in the Dome Mountain, Suzhou City in May 2019, various challenging programs were set up and participants were required to jointly fulfil the tasks by thinking and cooperating with each other. The team's cohesiveness, integration and synergy have been strengthened through the team-building activity.

The second TOPSPORTS National Basketball Competition

The TOPSPORTS National Basketball Competition, which was held by the Group in Beijing in July 2019 to show the beauty of sports and vitality, was aimed at providing a platform for employees to show their energy. It encouraged all employees to engage in sports with solidarity and teamwork. The Competition was competitive, attractive, entertaining, participatory and inspiring, representing a sports event that promoted exchanges among different regions.

5.7 Employees' rights and interests and equal participation

In strict compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and other national laws and regulations, the Group lawfully regulates employment practices, strictly forbids the use of forced labor and child labor in any form, respects and equally treats every employee and earnestly protects employees' legal rights and interests.

The Group is committed to create an open, diverse and equal work environment with no prejudice and discrimination in respect of age, gender, belief, family background, ethics and other aspects. For the purposes of actively facilitating employees' communication and encouraging their participation, the Group has gradually set up a survey platform concerning job satisfaction of employees for collecting employees' opinions and suggestions in respect of which timely analysis and continuous improvement has been made, thereby enhancing their sense of commitment and belonging to the Company and strengthening the attachment and cohesion within the team.

6. Overcoming Challenges and Win-Win Cooperation

6.1 Communication with brands

The Group highly values communication and exchanges with brands. The Group will share the valuable recognition of customer preferences and insight into market trends with brand partners to help them better execute their strategies and business ideas in achieving long-term business growth and a win-win situation.

The Group and its branding partners have established multiple channels of communication mechanism and jointly promote bilateral cooperation in operation and maintain alignment with the strategic goals through strategy meeting, sales conservation and daily communication. Meanwhile, the Group actively demonstrates its sincerity for cooperation, competes for brand resources, devotes itself to satisfy customers' consumption needs, and jointly widens the spread of sports brands.

6.2 Supplier management

The Group complies with the Tender and Bidding Law of the People's Republic of China (《中華人民共和國招投標法》) and other relevant laws and regulations, strictly enforces the internal supplier management system, regulates the suppliers' access and evaluations to prevent risks from the supply chain as well as closely cooperates with suppliers to achieve the sustainability of the supply chain.

The Group has set up a unified supplier management system to ensure the reasonableness, accurateness and promptness of the supplier management as well as the effectiveness of the authorizations and approvals, guarantee the quality and diversity of the products. In the stage of investigation on and access for suppliers, the Group has conducted a comprehensive estimate on the product, the ability of service supply and qualifications of the potential supplier to ensure the qualified supplier could be selected. With respect to the cooperative suppliers, the Group will make a periodic assessment on them and encourage the supplier to keep promoting on the delivery date, quality and service and so on as well as consolidate and strengthen the cooperation relationship while ensuring the quality of the supply.

In order to regulate the business cooperation such as tender and bidding and purchase, prevent and combat from unfair competition, the Group request the cooperative suppliers shall be in strict compliance with the Anti-unfair Competition Law (《反不正當競爭法》) and the relevant law and regulation. Relative undertakings are required to be signed by the cooperative suppliers to ensure the business cooperation is conducted legally. The Group encourages suppliers to report the corrupt conduct in the procurement process and strives to maintain a fair, equitable and uncorrupted procurement environment.

In order to ensure the stable supply and decrease the ESG risk of the supply chain, the Group regards the suppliers' environmental compliance, occupational health and safety and social responsibility performance as included in the audit standards; the Group also monitors and promotes the supplier to take forward emission reduction measures, safeguard labor rights and ensure the health and safety of the staff, and mutually improve the ESG management level of the supply chain.

7. Pursuing Honest and Compliant Operation

The Group always attaches great importance to anti-corruption and strictly complies with relevant laws and regulation related to anti-corruption to eliminate corruption, commercial bribery, bribery, extortion, fraud and money laundering and strives to create an honest business environment, which includes Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》).

The Group continues to consolidate the anti-fraud and internal control management system and strictly implements the anti-fraud related management system to enhance combating corruption and upholding integrity. The management of the Group will constraint risks of fraud at bearable level through identification of risks of fraud that may be arose in risk assessment and effective controls of internal control system over various businesses and affairs. During this financial year, the Group was not involved in any corruption lawsuits.

The Group continuously strengthens anti-corruption education to the employees. Through handbook, relevant training and signing integrity agreement and other methods, the Group clarifies its serious attitude towards anti-fraud behaviors. Also, it strengthens the understanding and cognition of employees to anti-fraud policies and relevant management regulations, and clearly defines its role and responsibilities in anti-fraud policies.

The Group has established anti-corruption reporting channels such as email. Special investigation shall be carried out to verify the authenticity of reports. Information of whistleblowers and the persons who assist to investigate and their personal safety shall be protected strictly. The Group will seriously investigate any behaviors involving corruption and fraud. In case of violation of the laws and regulations, the case should be referred to a judicial organ for handling according to laws.

8. Low-carbon Environmental Protection and Green Operation

With rapid economic development, there is intense pressure on the environment. The Group strictly complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), and has been deeply aware of its environmental responsibilities assumed for being a corporate citizen. As a retailer of sportswear and distributor of sportswear products, the Group does not engage in business operation that directly generates air, water and land pollution. The main impact of the Group's operation on the environment is the consumption of electricity, water and packaging materials in the retail and office areas. The Group adheres to a sustainable green operating model, to minimize the negative impact of business development on the environment and aspire to build a resource-efficient and environmental-friendly enterprise. During the reporting period, there are no violations of laws and regulations related to environmental protection of the Group.

8.1 Management of energy and resources

Adhering to the philosophy of green operation, the Group attaches great importance to the consumption of energy and resources in the usual course of business. The Group actively explores effective energy-saving measures in the offices and shops, improves the usage of energy and resources and reduces costs of operation, in a bid to achieve win-win situation in both of environmental protection and business development.

During the reporting period, the major energy saving and cost reduction measures of the Group are as follow:

Power usage management: Strengthened the management and maintenance of electric devices, firstly chose the efficient lamps and appliances, made full use of natural light, and reduced the power consumption of illumination.

Water management: Established rules and regulations for water conservation and strengthened the maintenance and management of water devices, and in the case of leakage, timely repair was arranged to avoid waste of water resources; signs of water conservation were set up to encourage employees to consciously develop water-saving awareness and habits;

Office resource management: Promoted the paperless office, made full use of OA System online procedure instead of paper approval procedure, in order to reduce paper consumption; carried out video conferencing system comprehensively, which effectively reduced carbon emissions, with the number of business trips for daily off-site meetings and trainings decreased by 30%; strictly regulated provision, purchase and requisition of office supplies, so as to eliminate waste and irrational usage.

Official vehicle management: Strictly controlled the approval and scale of official vehicles, and implemented the use management system, through reasonable arrangement of usage and schedule to minimize vehicle exhaust pollution; applied "one card for one car" refueling mode to enhance the management and appraisal of fuel quota, and drew up special measures to save oil and reduce consumption; firstly chose the energy- saving, environmentally-friendly vehicles.

8.2 Packing materials and waste reduction

The Group uses the pure wood pulp paper that could be thoroughly degraded as the material of shopping bags used in retail stores. The bags also can be recycled to reduce the impact on the environment.

In terms of waste reduction, the Group encourages the stores to cherish the resources, actively explore and implement the reuse of the arrived product packaging materials, publicity materials and other items. For example, the original packaging plastic bags are used as the filler when wrapping new shoes. Shoe boxes are used as the store's daily display props or storage boxes for small items. In the daily cleaning of the full-length mirror, dressing mirror and shoe mirror, the stores should reuse the packaging paper inside the waste shoe box and the soft paper filler in the shoes. The Group endeavors to reuse resources in the daily operation, improve the efficiency of resource use and reduce the environmental impact of operations.

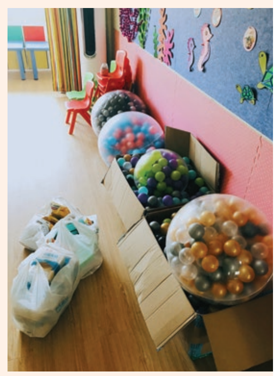
8.3 Green publicity

The Group is well aware of the importance of environmental protection publicity, and often adds green, environmental protection elements to store operations, working with customers to fulfill environmental obligations.

Swapping old for new

In mid-2019, the Group's three brand stores in Ludong jointly organized an environmental protection activity of "protect the earth-old shoes for me and new shoes for you". Customers can exchange two store discount coupons with old shoes of the same brand. The staff of the store cleaned the recycled shoes and gave them to people in need in the surrounding community. The activity has enhanced customers' environmental awareness and encouraged people to reduce pollution and waste and build a sustainable future together.

Reusing to show love



The Changchun store of the Group purchased many colorful balloons to create a festive atmosphere at the 2019 National Day activity. After the activity, in order to reduce the waste of resources, the store tied the balloons into many cute shapes and gave them free to customers entering the store at the entrance of the mall, which effectively increased the customer traffic while reusing.

In 2019, the Nanjing IST store of the Group purchased many colorful ocean balls and acrylic balls for the sales activity. After the activity, the store donated the items of the activity to Nanjing Child Welfare Agency. The staff of the store looked at the curious and surprised eyes of the children and instantly realized that environmental protection and public welfare can go together. A small matter within their power can also bring infinite joy and warmth to others.

Earth Day

On 27 April 2019, the Group's annual "Earth Day" charity activity was held in Harbin as scheduled. The Group's management and employees as well as caring people from all walks of life conducted environmental trailwalk competitions in groups. The activity attracted the attention of many citizens and enhanced people's environmental awareness and environmental consciousness.

Environmental Key Performance Table

Key Performance Indicators	Unit	Consumption/Emission
A1.1 Emissions		
Sulphur oxides	kg	1.48
Nitrogen oxides	kg	288.81
Particulate matter	kg	26.80
A1.2 Greenhouse Gas Emissions		
Greenhouse gas emissions (Scope I)	tonne CO_2e	272.58
Greenhouse gas emissions (Scope II)	tonne CO_2e	1,149.13
Total greenhouse gas emissions (Scopes I and II)	tonne CO_2e	1,421.71
A1.3 Hazardous Waste		
Hazardous waste	kg	596.23
A1.4 Non-hazardous Waste		
Non-hazardous waste	tonne	12.67
A2.1 Use of Resources		
Total energy consumption	GJ	7,822.33
Direct energy consumption	GJ	3,143.24
Indirect energy consumption	GJ	4,679.09
Energy consumption intensity	GJ/square meters	0.29
Electric consumption	kWh	1,299,746.68
Petrol consumption	litre	100,661.83
A2.2 Water Consumption		
Water consumption	m^3	14,258.50
Water consumption density	m^3/square meters	0.53
A2.5 Packaging Material		
Paper bags	tonne	7,712.98

Environmental data and coefficient description

(1) The scope of data collection: The time span of environmental data is from 1 March 2019 to 29 February 2020. The data scope of energy, resources and waste covers the Group headquarters and the administrative office areas of its 14 subordinate regions. The packaging materials are the amount of packaging paper bags purchased by retail outlets during the current financial year.

(2) Greenhouse gas emissions (Scope 1) are primarily generated from the petrol consumption of vehicles. Greenhouse gas emissions (Scope 2) are generated from the consumption of purchased electricity. The data sources include bills for related expenses, and administrative records. The greenhouse gas emission factors of electricity are based on the 2017 China Regional Power Grid Baseline Emission Factor issued by the Ministry of Ecology and Environment. Other energy emission factors are based on the Reporting Guidelines for Environmental Key Performance Indicators issued by the Stock Exchange.

(3) The types of energy consumed by the Group are fuel consumed by official vehicles and purchased electricity. The data sources are from related expense bills and administrative statistics records. The energy consumption factors are based on the national GB2589-2008T General Energy Consumption Calculation Principles.

(4) Hazardous wastes include waste ink cartridges and toner cartridges generated from printing and have been properly collected by the professional third-party institutes. Non-hazardous wastes are domestic wastes generated during the daily operation of office areas, and is collected by the municipal sanitation workers. The data sources are from printed records, property sanitation records, etc.

(5) The Group consumes water from the municipal water supply network. The data sources are from water bills, financial and administrative records.

9. Sharing Health and Jointly Building Prosperity

At the process of business development, the Group also keeps its corporate social responsibility in mind and provides resources and contributions within its capacity for social welfare undertakings with steadfast move forward in the road of public welfare to deliver love and hope.

9.1 Advocating nationwide exercise

Topsports' nationwide fitness month

No nationwide well-off life will be if without nationwide health.

In August 2019, the Group's large-scale public welfare running leading activity "I love running – Topsports' nationwide fitness month" was held as scheduled.

The sports ambassador of Topsports as the leader led people to run together by online attendance, which attracted a total of more than 1,000 users of Topsports from all over the country. As a sports brand operator, the Group hopes to inspire nationwide active involvement, enjoyment and devotion in sports by such activity.

9.2 Engage in social welfare

The Group actively participates in public welfare activities, with an aim to give back to society through caring for students, helping the seniors, and targeted poverty alleviation, so as to convey love and warmth.

Caring for students

The Group has been carrying out the "Caring for students" activities at the Po Cang Central Primary School in Yi County, Hebei for a long time. With the theme of "guarding the brave perseverance with love, and passing on the heat of life", the Group provides care and assistance to students in need to solve their practical difficulties through cash and material donations.

On 5 June 2019, the Group appointed its employees as caring representatives, using all the raised funds to purchase children's tables, chairs, books, sports supplies and other materials, and deliver them to the classrooms at the school.

Caring representatives also conducted home visits to some impoverished students and brought them daily necessities. The Group hopes to use every effort to bring together a torrent of love and provide children with a healthy and happy childhood.

Supporting children in need in remote rural areas

The Group's regional management staff in Chengde organize quarterly activities to support children in need in remote rural areas, whereby bringing school supplies, clothes, shoes and other supplies to children, in order to protect their healthy growth.

Voluntary transfer

Every year in the college entrance examination season, the management staff of Hebei North District of the Group will participate in the "Voluntary transfer" activity, arranging one-to-one full transfer for students from difficult families, and delivering them to the test center safely, quickly and timely, so as to convey love and warmth with kindness.

Caring for children with autism

The Group arranges the management staff to go to Tianjin Dagang Autism Children's Center every month to visit the "children from the stars" and make lunch for them. On each Children's Day, the employees of the Group also bring gifts to the children, play games and chat with them. Such loving actions have sent warmth to the children and helped them grow up healthily.

Clothes donation activities

In July 2019, the Group concentrated a batch of old work clothes and donated them to the Beijing Public Service Development Promotion Association, which would donate the same to remote rural areas to maximize the value of used clothes.

TOP TO employee public welfare activities

The Group's division in the northwest region has been organized employees to carry out "TOP TO public welfare activities" and spread positive energy through pragmatic and charitable public welfare measures.

In June 2019, members of the Yinchuan Community of the Group came to the Ningxia Children's Welfare Institute to visit the children, and brought them loving goods and small gifts made by themselves, showing the warmth and care of "TOP TO".

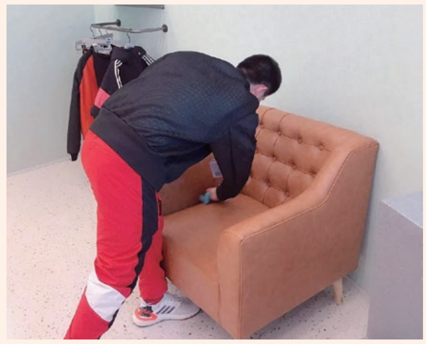
In August 2019, the Xi'an Community of the Group organized the "Yiqi TOP TO: science popularization of waste sorting" activity. Some simple knowledge of waste sorting gathered by 20 members was released to the public through emails, store notifications, and distribution of leaflets to encourage them to experience an environmentally friendly life style.

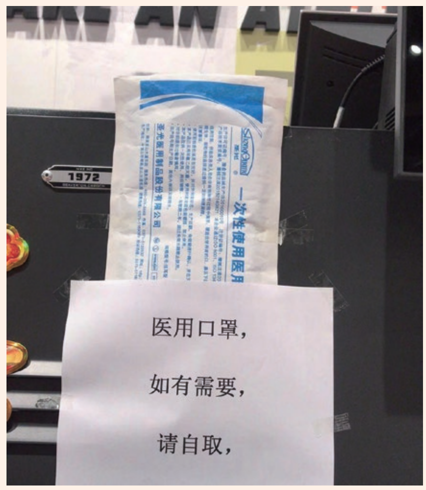
Features: Topsports's Efforts on the Pandemic Prevention

Since the outbreak of COVID-19, the Group has put the health of customers and employees first, deployed and implemented prevention and control measures in a timely manner, and done its best to prevent and control the pandemic.

In response to the pandemic, the Group urgently developed an internal reporting system to monitor stores and employees nationwide in real time, while suspending limited sales activities to avoid crowding. In order to create a secure shopping and working environment for customers and front-line employees, the stores have been disinfected in all aspects and with high frequency in strict accordance with the standards without the omission of any dead corners such as hangers and fitting rooms. Before starting work, each employee will receive a strict health check and temperature measurement for a proper record. When offering services, employees are required to wear masks, wash their hands and disinfect them frequently to protect their own health and that of their customers. The stores will provide free temperature measurement if customers require and some stores will also provide hygiene products such as antibacterial hand sanitizers, disinfectant tissues or alcohol pads to assist in fighting the pandemic.

In order to resume work in an orderly manner, the Group has formulated a series of measures to prevent the pandemic. The Group tracks the health status of employees in a timely manner, properly register the outsiders, disinfect the office without omission of any dead corners, remind employees to keep windows open for ventilation and prepare the hygiene necessities in the office such as disposable masks, thermometers and disinfectant to facilitate the use of the employees in need, so as to fully protect the health and safety of employees and tide over the pandemic together.





羅兵咸永道

TO THE SHAREHOLDERS OF TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Topsports International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 69 to 135, which comprise:

- the consolidated balance sheet as at 29 February 2020;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 29 February 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to net realizable value of inventories.

Key Audit Matter	How our audit addressed the Key Audit Matter
Net realizable value of inventories Refer to notes 4(a) and 20 to the consolidated financial statements. At 29 February 2020, inventories of the Group amounted to RMB6,649.0 million. As described in the Summary of Significant Accounting Policies in note 2.9 to the consolidated financial statements, inventories are carried at the lower of cost and net realizable value. Management applied judgment in determining the net realizable value of inventories. Net realizable value is determined by management based upon a detailed analysis of the aging profile of the inventories, with reference to the current marketability and latest selling prices of the respective inventories and the current retail market conditions existing at the end of the year. For the year ended 29 February 2020, provision for impairment of inventories of RMB17.5 million was made to write down the carrying amount of certain inventories to their estimated net realizable value as at 29 February 2020. We focused on this area due to the size of the balances and the judgment involved by management in determining the net realizable value of the inventories.	Our procedures in relation to management's assessment of net realizable value on inventories included: • We understood, evaluated and validated, on a sample basis, the key controls on inventories operating across the Group, including the procedures on periodic review of inventories impairment. • We tested, on a sample basis, the accuracy of the inventories aging profile analyses used by management to estimate the appropriate provision for slow moving and obsolete inventories. • We performed analyses on inventories holding and movement data to identify inventories with indication of slow moving or obsolescence. • We compared the carrying amounts of a sample of inventories to their net realizable values through a review of sales subsequent to the year end to evaluate the reasonableness of the associated provision. Where there were no subsequent sales of the respective inventories after the year end, we challenged management as to the realizable values of the inventories, corroborating explanations with the aging profile, historical margins and marketability of the respective inventories, as appropriate. Based on procedures performed, we found the assumptions of management in relation to the assessment of the net realizable value of inventories to be supportable by available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mak Tze Leung, William.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 29 February 2020

	Note	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Revenue	6	**33,690.2**	32,564.4
Cost of sales	8	**(19,502.7)**	(18,957.1)
Gross profit		**14,187.5**	13,607.3
Selling and distribution expenses	8	**(9,643.8)**	(9,247.5)
General and administrative expenses	8	**(1,412.8)**	(1,293.2)
Impairment of trade receivables	8, 21	**(19.1)**	(33.7)
Other income	7	**191.1**	203.9
Operating profit		**3,302.9**	3,236.8
Finance income	9	**55.3**	20.0
Finance costs	9	**(272.1)**	(211.5)
Finance costs, net		**(216.8)**	(191.5)
Profit before income tax		**3,086.1**	3,045.3
Income tax expense	10	**(782.7)**	(845.5)
Profit for the year attributable to equity holders of the Company		**2,303.4**	2,199.8
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company during the year			
Basic and diluted earnings per share	11	**40.88**	41.73

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 29 February 2020

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Profit for the year	**2,303.4**	2,199.8
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences	**(0.8)**	1.5
Items that will not be reclassified to profit or loss		
Exchange differences	**(40.8)**	–
	(41.6)	1.5
Total comprehensive income for the year attributable to equity holders of the Company	**2,261.8**	2,201.3

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

CONSOLIDATED BALANCE SHEET

As at 29 February 2020

	Note	As at 29 February 2020 RMB million	28 February 2019 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,153.8**	1,115.6
Right-of-use assets	16(a)	**3,908.8**	3,451.8
Intangible assets	17	**1,103.3**	1,144.8
Long-term deposits, prepayments and other receivables	18	**255.5**	214.9
Deferred income tax assets	19	**237.5**	128.4
		6,658.9	6,055.5
Current assets			
Inventories	20	**6,649.0**	6,138.7
Trade receivables	21	**1,486.7**	2,517.8
Deposits, prepayments and other receivables	18	**822.0**	801.9
Amounts due from related companies	30	**–**	52.0
Pledged term deposits	22	**3,594.7**	–
Bank balances and cash	22	**2,823.9**	650.5
		15,376.3	10,160.9
Total assets		**22,035.2**	16,216.4

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

CONSOLIDATED BALANCE SHEET

As at 29 February 2020

	Note	As at 29 February 2020 RMB million	As at 28 February 2019 RMB million
LIABILITIES			
Non-current liabilities			
Lease liabilities	16(b)	**2,519.9**	2,301.1
Deferred income tax liabilities	19	**73.2**	127.3
		2,593.1	2,428.4
Current liabilities			
Trade payables	23	**1,105.5**	642.0
Other payables, accruals and other liabilities	24	**1,593.2**	1,434.9
Amounts due to related companies	30	**–**	3,560.2
Dividend payable	12	**1,635.3**	3,500.0
Short-term borrowings	25	**2,400.0**	1,300.0
Lease liabilities	16(b)	**1,344.7**	999.8
Current income tax liabilities		**820.4**	402.3
		8,899.1	11,839.2
Total liabilities		**11,492.2**	14,267.6
Net assets		**10,543.0**	1,948.8
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	**–**	–
Other reserves	27	**8,593.4**	1,458.0
Retained earnings		**1,949.6**	490.8
Total equity		**10,543.0**	1,948.8

The financial statements on pages 69 to 135 were approved by the Board of Directors on 25 May 2020 and were signed on its behalf by:

SHENG Baijiao
Director

YU Wu
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 29 February 2020

	Attributable to equity holders of the Company			
	Share capital RMB million	Other reserves RMB million (Note 27)	Retained earnings RMB million	Total equity RMB million
At 1 March 2019	**–**	**1,458.0**	**490.8**	**1,948.8**
Comprehensive income:				
Profit for the year	**–**	**–**	**2,303.4**	**2,303.4**
Other comprehensive loss:				
Exchange difference	**–**	**(41.6)**	**–**	**(41.6)**
Total comprehensive (loss)/income for the year	**–**	**(41.6)**	**2,303.4**	**2,261.8**
Appropriation to statutory reserves	**–**	**100.5**	**(100.5)**	**–**
Dividends (Note 12)	**–**	**–**	**(744.1)**	**(744.1)**
Issuance of ordinary shares (Note 27)	**–**	**7,211.0**	**–**	**7,211.0**
Shares issuance costs (Note 27)	**–**	**(135.5)**	**–**	**(135.5)**
Other contributions from Belle International Holdings Limited ("Belle International") (Note 27)	**–**	**1.0**	**–**	**1.0**
Total transactions with equity holders	**–**	**7,177.0**	**(844.6)**	**6,332.4**
At 29 February 2020	**–**	**8,593.4**	**1,949.6**	**10,543.0**
At 1 March 2018	–	1,365.7	2,415.7	3,781.4
Comprehensive income:				
Profit for the year	–	–	2,199.8	2,199.8
Other comprehensive income:				
Exchange difference	–	1.5	–	1.5
Total comprehensive income for the year	–	1.5	2,199.8	2,201.3
Appropriation to statutory reserves	–	50.4	(50.4)	–
Dividends (Note 12)	–	–	(4,074.3)	(4,074.3)
Issue of share to give effect the Reorganization (Note 1.2)	–	(10.0)	–	(10.0)
Other contributions from Belle International (Note 27)	–	50.4	–	50.4
Total transactions with equity holders	–	90.8	(4,124.7)	(4,033.9)
At 28 February 2019	–	1,458.0	490.8	1,948.8

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 29 February 2020

	Note	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Cash flows from operating activities			
Net cash generated from operations	28(a)	**6,975.6**	4,091.7
Income tax paid		**(527.8)**	(945.5)
Net cash generated from operating activities		**6,447.8**	3,146.2
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and intangible assets	28(b)	**(711.9)**	(917.9)
Proceeds from disposals of property, plant and equipment	28(c)	**9.6**	9.7
Placement of pledged term deposits under the cross-border cash pooling arrangement	22	**(3,594.7)**	–
Payments for acquisition of a business	28(e)	**(21.4)**	(94.3)
Placement of structured bank deposits		**–**	(400.0)
Proceeds from maturity of structured bank deposits		**–**	400.0
Interest received		**21.6**	20.0
Net cash used in investing activities		**(4,296.8)**	(982.5)
Cash flows from financing activities			
Proceeds from borrowings	28(d)	**800.0**	1,100.0
Proceeds from drawing as borrowings under the cross-border cash pooling arrangement	25, 28(d)	**2,000.0**	–
Repayments of borrowings	28(d)	**(1,500.0)**	–
Payment for lease liabilities (including interest)	28(d)	**(1,895.4)**	(1,535.1)
Net proceeds from issuance of ordinary shares	27	**7,075.5**	–
Transfer of non-current assets held for sale as part of the Reorganization		**–**	126.7
Repayments of balances with related companies		**(3,507.2)**	(862.1)
Interest paid for bank borrowings		**(88.3)**	(32.0)
Dividends paid to then equity holders of the Group		**(1,864.7)**	(574.3)
Dividends paid		**(744.1)**	–
Net cash generated from/(used in) financing activities		**275.8**	(1,776.8)
Net increase in cash and cash equivalents		**2,426.8**	386.9
Cash and cash equivalents at beginning of the year		**450.5**	63.6
Exchange losses on cash and cash equivalents		**(53.4)**	–
Cash and cash equivalents at end of the year		**2,823.9**	450.5
Cash and cash equivalents comprise of:			
Bank balances and cash	22	**2,823.9**	650.5
Bank overdrafts	25	**–**	(200.0)
		2,823.9	450.5

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

1 General information, Reorganization and Significant event

1.1 General information

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

The Company was incorporated in the Cayman Islands on 5 September 2018 as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time. 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, a company incorporated in the Cayman Islands with limited liability, respectively. The directors of the Company regard Muse Holdings Inc. ("Muse Inc."), a company incorporated in the Cayman Islands with limited liability, as being the ultimate holding company and the ultimate controlling party of the Company.

The Company completed its initial public offerings on 10 October 2019 (the "Listing") and the Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

1.2 Reorganization

In preparation for the Listing of the Company's shares on the Main Board of The Stock Exchange, a group reorganization was undertaken pursuant to which companies operating the business of the Group were transferred to a new holding structure under the Company (the "Reorganization"). Immediately prior to the Reorganization, the business of the Group was principally operated and managed under certain wholly-owned subsidiaries of Belle International. Upon completion of the Reorganization on 26 November 2018, the Company became the holding company of all companies now comprising the Group.

1 General information, Reorganization and Significant event (Continued)

1.3 Significant event

The outbreak of the Novel Coronavirus ("COVID-19") since early 2020 has resulted in significant decrease in commercial activities in various locations the Group operates and negatively affected the Group's business operations, particular during the months January and February 2020 for the year ended 29 February 2020. The Group has implemented certain mitigating measures to contain costs, including renegotiating rents and reducing discretionary spending, and to preserve the Group's assets, including chasing collection of trade receivables and deferred stock ordering.

In preparing these consolidated financial statements, the Group has taken into the account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment including trade receivables, inventories and right-of-use assets (Note 8). Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed above, there is no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with IFRS 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

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

All of the new standards, amendments to standards, and interpretations that are effective on 1 March 2019 have been early adopted by the Group prior to the annual periods beginning after 1 March 2019.

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(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 are effective for annual periods beginning after 1 March 2019 and have not been early adopted by the Group:

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]
Amendments to IAS 39, IFRS 7 and IFRS 9	Hedge accounting[1]
IFRS 17	Insurance Contracts[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

(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.

2.2 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

2 Summary of significant accounting policies (Continued)

2.2 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combinations (Continued)

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognized in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions—that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, a joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. It means the amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less any impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 Summary of significant accounting policies (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (the "CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director and senior management of the Company that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's shares have been listed on the Main Board of The Stock Exchange since 10 October 2019 where the Company received the listing proceeds and settled various expenses in Hong Kong Dollars ("HK$") and is expecting to transact its future operating and financing activities primarily in HK$. Consequently, the Company determined to change its functional currency from RMB to HK$ from 10 October 2019. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

(c) Group companies

The results and financial position of all the Group's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	20-40 years
Leasehold improvements	Shorter of 1-3 years and the lease terms
Furniture and fixtures and other equipment	3-5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gains or losses on disposals of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant assets and are recognized in profit or loss.

2.6 Accounting for leases

(a) The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate specific to the country, term and currency of the contract. In addition, the Group considers its recent borrowings as well as publicly available data for instruments with similar characteristics when calculating the incremental borrowing rates.

2 Summary of significant accounting policies (Continued)

2.6 Accounting for leases (Continued)

(a) The Group as lessee (Continued)

Lease payments included in the measurement of the lease liability comprise fixed lease payments, less any lease incentives; variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; the amount expected to be payable by the lessee under residual value guarantees; and purchase option or extension option payments if the Group has enforceable rights and is reasonably certain to exercise these options.

The lease liability is presented as a separate line in the consolidated balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

A right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, initial direct costs, if any, and restoration costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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

The Group applies IAS 36 'Impairment of Assets' to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.8.

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

2 Summary of significant accounting policies (Continued)

2.6 Accounting for leases (Continued)

(b) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its sports complex operations.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to reporting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

2.7 Intangible assets

(a) Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(b) Acquired distribution and license contracts

Distribution and license contracts acquired in a business combination are recognized initially at fair value at the acquisition date and subsequently carried at the amount initially recognized less accumulated amortization and impairment losses, if any. Amortization is calculated using the straight-line method to allocate the costs of acquired distribution and license contracts over their estimated useful lives of 7 years.

(c) Other intangible assets

Intangible assets other than goodwill and acquired distribution and license contracts are measured initially at cost or, if acquired in a business combination, fair value at the acquisition date. An intangible asset with a finite useful life is amortized on a straight-line basis over its useful life and carried at cost less accumulated amortization and accumulated impairment losses. e-Sports licenses and contracts are amortized over their estimated useful lives ranging from 3 to 10 years.

2.8 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet ready for use are not subject to amortization and are tested at least annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Inventories

Inventories, comprising merchandise for sale and consumables, are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method. The cost of finished goods comprises purchase cost from suppliers. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 Summary of significant accounting policies (Continued)

2.10 Financial assets (Continued)

(c) Measurement (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 3.1(c) for further details.

2 Summary of significant accounting policies (Continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or its subsidiaries or the counterparty.

2.12 Trade receivables

Trade receivables are amounts due from sale of goods or services performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or any in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 2.10(c) for further information about the Group's accounting for trade receivables and Note 2.10(d) for a description of the Group's impairment policies.

2.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

2.14 Share capital

Ordinary shares are classified as equity. Incremental costs, net of tax, directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

2.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 Summary of significant accounting policies (Continued)

2.16 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

2.17 Current and deferred income tax

The income tax expense for the year comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the places where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the relevant tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2 Summary of significant accounting policies (Continued)

2.17 Current and deferred income tax (Continued)

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.18 Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(b) Pension obligations

The Group participates in various defined contribution retirement benefit plans which are available to all relevant employees. These plans are generally funded through payments to schemes established by governments or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions on a mandatory, contractual or voluntary basis into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution plans are expensed as incurred and not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(c) Bonus entitlements

The expected cost of bonus payments is recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities of bonus plan are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2 Summary of significant accounting policies (Continued)

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the obligations using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.20 Government incentives

Incentives from the government are recognized at their fair value where there is a reasonable assurance that the incentives will be received and the Group will comply with all attached conditions.

Government incentives relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government incentives relating to purchase of property, plant and equipment and projects are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and projects.

2.21 Contract assets and contract liabilities

A contract asset is recognized when the Group recognizes revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses in accordance with the policy set out in Note 2.10 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognized when the customer pays consideration before the Group recognizes the related revenue. A contract liability would also be recognized if the Group has an unconditional right to receive consideration before the Group recognizes the related revenue. In such cases, a corresponding receivable would also be recognized. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2 Summary of significant accounting policies (Continued)

2.22 Customer loyalty programme

The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to redeem award points for gifts and cash discount in the future which provides a material right to the customers and gives rise to a separate performance obligation. The transaction price is allocated to the product and the award points, taking into account for the expected likelihood of redemption, on a relative stand-alone selling price basis. Revenue from the award points is recognized when the award points are redeemed. Contract liabilities are recognized until the award points are redeemed. Revenue for points that are not expected to be redeemed is recognized in proportion to the pattern of rights exercised by customers.

2.23 Revenue and income recognition

(a) Sale of goods

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

Most of the Group's sale of goods are made to retail customers, for which revenue is recognized when control of the goods is transferred, being at the point the customer purchases the goods at the retail outlet; a small portion of the Group's sale of goods are made to wholesalers, for which revenue is recognized when control of the products is transferred, being when the products are delivered to the wholesalers.

Revenue from sales is recognized based on the price specified in the contract, net of discounts, returns and value added taxes. Accumulative experience is used to estimate returns at the time of sale at a portfolio level (expected value method), which was relatively insignificant based on past experience.

2 Summary of significant accounting policies (Continued)

2.23 Revenue and income recognition (Continued)

(b) Concessionaire fee income

The Group grants other retailers the right to operate business within the Group's commercial spaces under a concessionaire arrangement. The Group recognizes concessionaire fee income upon sale of goods by the relevant retailers. The Group receives the gross proceeds of concessionaire sales from retail customers on behalf of these retailers and subsequently transfers the proceeds to them after deducting the commission income according to the terms of the relevant concessionaire arrangements.

(c) Interest income

Interest income calculated using the effective interest method is recognized in the consolidated statement of profit or loss.

(d) Rental income

Rental income under operating leases is recognized on a straight-line basis over the lease periods.

2.24 Dividend distribution

Dividend distribution to the equity holders is recognized as a liability in the Company's and the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks, including foreign exchange risk, cash flow and fair value interest rate risks, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The use of financial derivatives to manage certain risk exposures is governed by the Group's policies approved by the board of directors of the Company.

(a) Foreign exchange risk

The Group mainly operates in the PRC with most of the transactions originally denominated and settled in RMB. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the functional currency of a group entity. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to Hong Kong Dollars ("HK$").

The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against HK$ and to mitigate the impact on exchange rate fluctuations. During the years ended 29 February 2020 and 28 February 2019, no forward foreign exchange contracts had been entered into by the Group.

As at 29 February 2020 and 28 February 2019, the impact of foreign exchange fluctuations of HK$ is not material as the Group's entities had no material financial assets or financial liabilities denominated in a currency that different from its functional currency and therefore no sensitivity analysis is presented for foreign exchange risk.

(b) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets except for the cash at banks and pledged term deposits, details of which have been disclosed in Note 22. The Group's exposure to changes in interest rates is mainly attributable to its borrowings and lease liabilities, details of which have been disclosed in Note 25 and Note 16 respectively. Liabilities carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. A portion of the Group's borrowings was carried at floating rates and expose the Group to cash flow interest rate risk while a significant part of the Group's borrowings and all of its lease liabilities were carried at fixed rates which does not expose the Group to cash flow interest rate risk. As at 29 February 2020, the cash flow interest rate risks arising from the Group's secured borrowings carried at fixed interest rates under a cross-border cash pooling arrangement (Note 25) are partly offset by the interest-bearing pledged term deposits (Note 22), the remaining impact arising from interest rate risk is not significant to the Group's result.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, other receivables, amounts due from related companies, cash at banks, pledged term deposits, and rental deposits included in the consolidated balance sheet approximate the Group's maximum exposure to credit risk in relation to its financial assets.

The Group has policies in place to ensure that sales on credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date while sales to corporate customers are generally on credit terms within 30 days. Normally the Group does not require collaterals from trade debtors.

As at 29 February 2020 and 28 February 2019, substantially all the bank balances and the pledged term deposits as detailed in Note 22 are held in major financial institutions located either in Hong Kong or the mainland China, which management believes are of high credit quality. The Group has a policy to limit the amount of credit exposure to any financial institution and management does not expect any loss arising from non-performance by these counterparties.

The Group makes deposits (current and non-current) for rental of certain of its retail outlets with landlords. The credit quality of deposits and other receivables, including amounts due from related companies, has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors of the Company consider that credit risk associated with deposits and other receivables is low with reference to historical information about the counterparties default rates.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped with similar risk characteristics and, collectively or individually, assessing them for likelihood of recovery. The Group categorizes its trade receivables, except those individually assessed, based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before the financial reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorized by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties, they are assessed individually for impairment allowance. As at 29 February 2020, total loss allowance of RMB52.8 million (2019: RMB33.7 million) has been made on the Group's trade receivables.

For other financial assets measured at amortised cost, the directors of the Group consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at each reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- Internal credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- actual or expected significant changes in the operating results of the counterparty;
- significant changes in the expected performance and behavior of the counterparty, including changes in the payment status of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment/repayable demanded. The loss allowance for other financial assets is minimal during the year.

Impairment losses on trade receivables and other financial assets at amortized cost are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group's primary cash requirements have been for additions of and upgrades on property, plant and equipment, repayment of borrowings and payment for purchases and operating expenses. The Group finances its acquisitions and working capital requirements through a combination of internal resources and bank borrowings, as necessary.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure it maintains sufficient cash and cash equivalents and has available funding through adequate amount of committed credit facilities to meet its working capital requirements.

As at 29 February 2020 and 28 February 2019, the Group's financial liabilities are all due for settlement contractually within 12 months and the contractual undiscounted cash outflow of the Group's financial liabilities approximates their carrying amounts included in the consolidated balance sheet, except for the lease liabilities (see below). Interest element in connection with the Group's short-term borrowings as at 29 February 2020 and 28 February 2019 payable in the next twelve months calculated in accordance with the relevant borrowing agreements amounted to RMB9.3 million and RMB50.9 million respectively.

The following table analyzes the maturities at the end of the reporting periods of the Group's lease liabilities based on the contractual undiscounted cash flows:

	As at	
	29 February 2020 RMB million	28 February 2019 RMB million
Carrying amount of lease liabilities	**3,864.6**	3,300.9
Within 1 year	**1,482.9**	1,154.6
More than 1 year but within 2 years	**1,269.6**	1,088.2
More than 2 years but within 5 years	**1,337.9**	1,254.3
More than 5 years	**123.5**	155.6
Total contractual undiscounted cash outflow	**4,213.9**	3,652.7

3 Financial risk management (Continued)

3.2 Fair value estimation

The Group's financial instruments are measured in the balance sheet at the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 29 February 2020 and 28 February 2019, the Group did not have any significant financial assets or financial liabilities in the consolidated balance sheet which is measured at fair value.

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders or obtain new bank borrowings. The Group's strategy is to maintain a solid capital base to support the operations and development of its business in the long term.

The Group also monitors capital on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as short-term bank borrowings less bank balances and cash and pledged term deposits. Total capital is calculated as "Total equity", as shown in the consolidated balance sheet plus net debt.

3 Financial risk management (Continued)

3.3 Capital risk management (Continued)

As at 29 February 2020 and 28 February 2019, the gearing ratio was as follows:

	As at	
	29 February 2020 RMB million	28 February 2019 RMB million
Short-term borrowings (Note 25)	**2,400.0**	1,300.0
Less: Bank balances and cash and pledged term deposits	**(6,418.6)**	(650.5)
Net (cash)/debt	**(4,018.6)**	649.5
Total capital	**6,524.4**	2,598.3
Gearing ratio	**Net cash**	25.0%

As at 29 February 2020, the Group has a net cash position and the aggregate balances of pledged term deposits and bank balances and cash exceeded the total balance of borrowings by RMB4,018.6 million.

4 Critical accounting estimates and judgments

Estimates and judgments used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Net realizable value of inventories

Net realizable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to severe industry cycle. Management reassesses these estimates at each balance sheet date.

4 Critical accounting estimates and judgments (Continued)

(b) Impairment of non-financial assets

The Group tests annually whether goodwill has suffered any impairment (Note 17). Other non-financial assets including property, plant and equipment, right-of-use assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgments and estimates.

Management judgment is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell and net present value of future cash flows which are estimated based upon the continued use of the asset in the business; (iii) the selection of the most appropriate valuation technique, e.g. the market approach, the income approach, as well as a combination of approaches, including the adjusted net asset method; and (iv) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to make further or reverse an impairment charge to profit or loss.

(c) Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the Group has enforceable right to extend the lease term and the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In determining the discount rate, the Groups are required to exercise considerable judgement in relation to determine the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and the effective date of the modification.

4 Critical accounting estimates and judgments (Continued)

(d) Useful lives, residual values and depreciation charges of property, plant and equipment/useful lives and amortization of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation/amortization charges for the Group's property, plant and equipment and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation/amortization expense in future periods.

(e) Current and deferred income tax

The Group is subject to income taxes in the PRC and other jurisdictions. Judgment is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilized. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

5 Segment information

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

CODM has been identified as the executive director and senior management of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the CODM.

The CODM assesses the performance of the Group's business activities as a whole on a regular basis and the directors of the Company consider that the Group has only one reportable segment. Accordingly, no segment information is presented.

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

As at 29 February 2020 and 28 February 2019, substantially all of the non-current assets of the Group were located in the PRC.

6 Revenue

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Sale of goods	**33,393.5**	32,330.6
Concessionaire fee income	**266.3**	233.8
Others	**30.4**	–
	33,690.2	32,564.4

7 Other income

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Government incentives (note)	**188.8**	198.3
Rental income	**–**	1.1
Others	**2.3**	4.5
	191.1	203.9

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

8 Expenses by nature

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Cost of inventories recognized as expenses included in cost of sales	**19,485.2**	18,957.1
Staff costs (Note 13)	**3,310.5**	3,167.2
Lease expenses (mainly including concessionaire fee expenses)	**3,226.0**	3,410.1
Depreciation on right-of-use assets (Note 16(a))	**1,751.7**	1,379.4
Depreciation on property, plant and equipment (Note 15)	**700.8**	651.3
Amortization of intangible assets (Note 17)	**56.7**	40.3
Write-off of property, plant and equipment (Note 15)	**14.9**	14.1
Loss on disposal of property, plant and equipment (Note 28(c))	**2.8**	2.5
Impairment of inventories recognized as expenses included in cost of sales (Note 20)	**17.5**	–
Impairment on right-of-use assets (included in selling and distribution expenses) (Note 16)	**43.9**	–
Impairment of trade receivables (Note 21)	**19.1**	33.7
Other tax expenses	**154.7**	142.2
Auditors' remuneration	**5.2**	5.0
Listing expenses	**51.8**	10.0
Others	**1,737.6**	1,718.6
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment of trade receivables	**30,578.4**	29,531.5

9 Finance costs, net

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Interest income from bank deposits	**55.3**	14.8
Interest income from structured bank deposits	**–**	5.2
Finance income	**55.3**	20.0
Interest expense on short-term bank borrowings	**(63.3)**	(32.0)
Interest expense on lease liabilities (Note 16(b))	**(208.8)**	(179.2)
Foreign exchange losses	**–**	(0.3)
Finance costs	**(272.1)**	(211.5)
Finance costs, net	**(216.8)**	(191.5)

10 Income tax expense

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Current income tax – PRC corporate income tax		
– Current year	**803.7**	740.5
– Under-provision in prior years	**2.2**	4.8
– Withholding tax on dividends	**140.0**	1.3
Deferred income taxes (Note 19)	**(163.2)**	98.9
	782.7	845.5

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

10 Income tax expense (Continued)

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5%. No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

During the year, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% except that certain subsidiaries are subject to preferential tax rates ranging from 15% to 20% and other preferential tax treatments.

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

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the taxation rates applicable to the consolidated entities as follows:

	Year ended	
	29 February 2020 RMB million	28 February 2019 RMB million
Profit before income tax	**3,086.1**	3,045.3
Tax calculated at the applicable tax rate of respective companies (note)	**660.7**	715.7
Expenses not deductible for tax purposes	**11.8**	2.9
Tax losses for which no deferred income tax assets were recognized	**16.1**	10.9
Utilization of previously unrecognized tax losses	**(2.9)**	(7.8)
Under-provision in prior years	**2.2**	4.8
Withholding tax	**94.8**	119.0
	782.7	845.5

Note: The weighted average applicable corporate income tax rate is 21.4% (2019: 23.5%). The fluctuation in the weighted average applicable corporate income tax rate arose mainly because of the change in the relative profitability of the companies within the Group.

11 Earnings per share

(a) Basic

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

		Year ended	
		29 February 2020	28 February 2019
Profit attributable to equity holders of the Company	RMB million	**2,303.4**	2,199.8
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	thousand of shares	**5,634,471**	5,271,038
Basic earnings per share	RMB cents	**40.88**	41.73

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 29 February 2020 has been retrospectively adjusted for the effect of the capitalization issue which took place on 10 October 2019 (Note 26).

(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 29 February 2020 and 28 February 2019.

12 Dividends

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Interim dividend, paid, of RMB12.00 cents (or equivalent to HK$13.14 cents) (2019: Nil) per ordinary share (note (b))	**744.1**	–
Final dividend, proposed, of RMB7.00 cents (or equivalent to HK$7.51 cents) (2019: Nil) per ordinary share (note (a))	**434.1**	–
Dividend declared by the Company (note (c))	**–**	3,500.0
Dividends declared by the companies now comprising the Group to the then equity holders (note (d))	**–**	574.3
	1,178.2	4,074.3

Notes:

(a) At a meeting held on 25 May 2020, the directors recommended a final dividend of RMB7.00 cents or equivalent to HK$7.51 cents per ordinary share (totaling RMB434.1 million) for the year ended 29 February 2020. This proposed dividend is not reflected as dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 28 February 2021.

(b) At a meeting held on 23 October 2019, the directors declared an interim dividend of RMB12.00 cents or equivalent to HK$13.14 cents per ordinary share (totaling RMB744.1 million) for the year ended 29 February 2020, which was paid during the year and has been reflected as an appropriation of retained earnings for the year ended 29 February 2020.

(c) During the year ended 28 February 2019, the Company declared a dividend of RMB3,500.0 million per share, totalling RMB3,500.0 million. As at 29 February 2020, RMB1,635.3 million of such dividend (2019: RMB3,500.0 million) remained outstanding and included in the consolidated balance sheet as dividend payable.

(d) These amounts represented dividends declared by the companies now comprising the Group to the then equity holders of the companies, after elimination of intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

13 Staff costs (including directors' remunerations)

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Wages, salaries and bonuses	**2,775.7**	2,595.8
Pensions costs-defined contribution plans (note (a))	**442.6**	443.9
Welfare and other expenses	**92.2**	127.5
	3,310.5	3,167.2

(a) The PRC defined contribution plans

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its relevant employees in the PRC. The Group's relevant employees make monthly contributions to the schemes at 8% to 11% of the relevant income (comprising wages, salaries, allowances and bonuses), while the Group contributes 10% to 35% of such income and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.

(b) Five highest paid individuals

The remunerations of the five highest paid individuals in the Group are as follows:

	Year ended 29 February 2020 RMB thousand	28 February 2019 RMB thousand
Directors	**5,769**	5,634
Employees	**16,040**	6,211
	21,809	11,845

The five individuals whose remunerations were the highest in the Group include 1 (2019: 1) director, whose remuneration have been disclosed in Note 14.

13 Staff costs (including directors' remunerations) (Continued)

(b) Five highest paid individuals (Continued)

Details of the remunerations of the remaining highest paid non-director individuals during the year are set out below:

	Year ended 29 February 2020 RMB thousand	Year ended 28 February 2019 RMB thousand
Basic salaries and bonuses	**15,889**	5,920
Pension costs – defined contribution plans	**151**	291
	16,040	6,211

The remunerations of the highest paid non-director individuals during the year fell within the following bands:

	Number of individuals Year ended 29 February 2020	Number of individuals Year ended 28 February 2019
Emolument band		
HK$1,500,001 to HK$2,000,000	**–**	4
HK$2,000,001 to HK$2,500,000	**2**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$9,500,001 to HK$10,000,000	**1**	–
	4	4

During the year, no emoluments have been paid to the five highest individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2019: Nil).

14 Benefits and interests of directors

(a) Directors and chief executive's emoluments

The remunerations of each director and chief executive are set out below:

	Fee RMB thousand	Salaries RMB thousand	Discretionary bonuses RMB thousand	Employer's contribution to pension scheme RMB thousand	Other benefit RMB thousand	Total RMB thousand
For the year ended 29 February 2020						
Executive director						
Yu Wu[1]	**–**	**2,475**	**3,226**	**68**	**–**	**5,769**
Non-executive directors						
Sheng Baijiao[2]	**–**	**–**	**–**	**–**	**–**	**–**
Sheng Fang[2]	**–**	**–**	**–**	**–**	**–**	**–**
Hu Xiaoling[2]	**–**	**–**	**–**	**–**	**–**	**–**
Chow Kyan Mervyn[2]	**–**	**–**	**–**	**–**	**–**	**–**
Yung Josephine Yuen Ching[2]	**–**	**–**	**–**	**–**	**–**	**–**
Independent Non-executive directors						
Lam Yiu Kin[3]	**125**	**–**	**–**	**–**	**–**	**125**
Hua Bin[3]	**125**	**–**	**–**	**–**	**–**	**125**
Huang Victor[3]	**125**	**–**	**–**	**–**	**–**	**125**
	375	**2,475**	**3,226**	**68**	**–**	**6,144**
For the year ended 28 February 2019						
Executive director						
Yu Wu[1]	–	2,425	3,137	72	–	5,634
	–	2,425	3,137	72	–	5,634

Notes:

(1) Mr. Yu Wu is the Chief Executive Officer of the Company. Mr. Yu Wu was appointed as director on 5 September 2018 and designated as executive director effective from 20 June 2019.

(2) Appointed as non-executive director effective from 20 June 2019.

(3) Appointed as independent non-executive director effective from 26 September 2019.

During the year, none of the directors waived or agreed to waive any emoluments (2019: Nil).

14 Benefits and interests of directors (Continued)

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the year (2019: Nil).

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by any third parties for making available directors' services during the year (2019: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

No loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled bodies corporate by and connected entities with such directors subsisted at the end of the year or at any time during the year.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in these consolidated financial statements, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the year or at any time during the year.

15 Property, plant and equipment

	Leasehold improvements RMB million	Furniture and fixtures and other equipment RMB million	Motor vehicles RMB million	Total RMB million
Cost				
As at 1 March 2018	2,012.1	229.0	45.9	2,287.0
Additions	767.8	35.1	9.9	812.8
Disposals	(3.4)	(19.1)	(4.0)	(26.5)
Written-off	(334.5)	(20.2)	(3.0)	(357.7)
As at 28 February 2019 and 1 March 2019	2,442.0	224.8	48.8	2,715.6
Additions	722.9	37.0	6.4	766.3
Disposals	(9.0)	(8.8)	(4.5)	(22.3)
Written-off	(313.8)	(14.3)	(2.2)	(330.3)
As at 29 February 2020	**2,842.1**	**238.7**	**48.5**	**3,129.3**
Accumulated depreciation				
As at 1 March 2018	1,156.9	121.5	28.2	1,306.6
Disposals	(0.9)	(11.3)	(2.1)	(14.3)
Written-off	(324.9)	(16.1)	(2.6)	(343.6)
Depreciation charges	611.9	33.5	5.9	651.3
As at 28 February 2019 and 1 March 2019	1,443.0	127.6	29.4	1,600.0
Disposals	(4.3)	(4.4)	(1.2)	(9.9)
Written-off	(301.7)	(11.8)	(1.9)	(315.4)
Depreciation charges	662.7	33.2	4.9	700.8
As at 29 February 2020	**1,799.7**	**144.6**	**31.2**	**1,975.5**
Net book value				
As at 28 February 2019	999.0	97.2	19.4	1,115.6
As at 29 February 2020	**1,042.4**	**94.1**	**17.3**	**1,153.8**

15 Property, plant and equipment (Continued)

During the year, depreciation of property, plant and equipment has been charged to the consolidated statement of profit or loss as follows:

	Year ended	
	29 February 2020 RMB million	28 February 2019 RMB million
Selling and distribution expenses	**684.2**	614.7
General and administrative expenses	**16.6**	36.6
	700.8	651.3

16 Lease

(a) Right-of-use assets

	Year ended	
	29 February 2020 RMB million	28 February 2019 RMB million
As at 1 March	**3,451.8**	2,659.0
Inception of lease contracts	**2,265.6**	2,172.2
Depreciation	**(1,751.7)**	(1,379.4)
Remeasurement	**(13.0)**	–
Impairment (Note 8)	**(43.9)**	–
As at 29/28 February	**3,908.8**	3,451.8

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.

16 Lease (Continued)

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

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

	Year ended 29 February 2020 RMB million	Year ended 28 February 2019 RMB million
Selling and distribution expenses	**1,699.4**	1,353.5
General and administrative expenses	**52.3**	25.9
	1,751.7	1,379.4

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

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost. The Group's lease expenses (see Note 8) are primarily for variable lease payments; expenses relating to short-term leases are relatively insignificant (also see note (c) below). The Group expects this pattern to remain stable in future years. The variable lease payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next few years, variable lease payments are expected to continue to present a similar proportion of store sales in future years.

(b) Lease liabilities

	Year ended 29 February 2020 RMB million	Year ended 28 February 2019 RMB million
As at 1 March	**3,300.9**	2,484.6
Inception of lease contracts	**2,265.6**	2,172.2
Interest expense on lease liabilities (Note 9)	**208.8**	179.2
Payment for lease liabilities (including interest)	**(1,895.4)**	(1,535.1)
Remeasurement	**(15.3)**	–
As at 29/28 February	**3,864.6**	3,300.9

16 Lease (Continued)

(b) Lease liabilities (Continued)

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Amount due for settlement within 12 months (shown under current liabilities)	**1,344.7**	999.8
Amount due for settlement after 12 months	**2,519.9**	2,301.1
As at 29/28 February	**3,864.6**	3,300.9

Maturity analysis of lease liabilities is as follows:

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Not later than 1 year	**1,344.7**	999.8
Later than 1 year but not later than 5 years	**2,400.7**	2,153.4
Later than 5 years	**119.2**	147.7
As at 29/28 February	**3,864.6**	3,300.9

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

As at 29 February 2020, the total future lease payments for short-term leases amounted to RMB78.4 million (2019: RMB119.8 million). As at 29 February 2020, leases committed but not yet commenced are relatively insignificant (2019: same).

17 Intangible assets

	Goodwill RMB million	Distribution and licenses contracts RMB million	e-Sports licenses and contracts RMB million	Others RMB million	Total RMB million
Cost					
As at 1 March 2018	1,002.4	249.0	–	–	1,251.4
Additions	–	–	108.2	0.4	108.6
As at 28 February 2019 and 1 March 2019	1,002.4	249.0	108.2	0.4	1,360.0
Additions	–	–	8.6	6.6	15.2
As at 29 February 2020	**1,002.4**	**249.0**	**116.8**	**7.0**	**1,375.2**
Accumulated amortization					
As at 1 March 2018	–	174.9	–	–	174.9
Amortization for the year	–	35.6	4.7	–	40.3
As at 28 February 2019 and 1 March 2019	–	210.5	4.7	–	215.2
Amortization for the year	–	35.6	20.0	1.1	56.7
As at 29 February 2020	**–**	**246.1**	**24.7**	**1.1**	**271.9**
Net book value					
As at 28 February 2019	1,002.4	38.5	103.5	0.4	1,144.8
As at 29 February 2020	**1,002.4**	**2.9**	**92.1**	**5.9**	**1,103.3**

During the year, amortization expense of RMB56.7 million (2019: RMB40.3 million) has been included in general and administrative expenses.

Impairment review on goodwill of the Group has been conducted by management as at 29 February 2020 and 28 February 2019 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on the higher amount of the fair value less cost of disposal ("FVLCD") and value-in-use calculations.

Goodwill of the Group arose from acquisition of sportswear businesses. It is attributable to the acquired market share and economies of scale expected to be derived from combining with the operations of the Group and therefore, the CGU to which the goodwill is allocated is the Group as a whole.

17 Intangible assets (Continued)

Impairment assessment as at 29 February 2020

The recoverable amount of the Group's goodwill was determined based on FVLCD, which was estimated by management with reference to the transaction price of the Company's listed shares. Management considered the recoverable amount of the Group was higher than the carrying amount of its net assets as at 29 February 2020 with significant headroom.

Impairment assessment as at 28 February 2019

The recoverable amount of goodwill was determined by management based on value-in-use calculations using cash flow projections based on financial budgets approved by management for the purposes of impairment reviews covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated annual growth of not more than 2%. The growth rates used do not exceed the industry growth forecast for the market in which the Group operates.

As at 28 February 2019, key assumptions used for value-in-use calculations include gross profit margin of 42% and a 5 years annual growth rate of 5%; discount rate used of 16.7% is pre-tax and reflect market assessments of the time value and the specific risks relating to the industry. The budgeted gross profit margin is determined by management based on past performance and its expectation for market development.

As at 28 February 2019, the impairment assessment resulted in significant headroom of not less than 200% over the carrying amount of goodwill, and management, based on the sensitivity analysis performed, was not aware of any reasonably possible changes in a key assumption used that would cause carrying amount of the goodwill to exceed its recoverable amount.

18 Deposits, prepayments and other receivables

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Non-current		
Rental deposits	**238.8**	192.9
Prepayments for capital expenditures	**16.7**	22.0
	255.5	214.9
Current		
Rental deposits	**301.7**	288.3
Value-added tax recoverable	**199.9**	132.4
Prepayments for purchase	**103.7**	249.1
Other receivables and prepayments	**216.7**	132.1
	822.0	801.9

The carrying amounts of deposits and other receivables approximate their fair values. The recoverability was assessed with reference to the credit status of the recipients and, as there is no significant increase in credit risk since initial recognition, the 12-month expected credit loss is considered minimal.

19 Deferred income taxes

Deferred income taxes are calculated in respect of temporary differences under the liability method using the tax rates enacted or substantively enacted by the balance sheet date.

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheets:

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Net deferred income tax assets recognized	**237.5**	128.4
Net deferred income tax liabilities recognized	**(73.2)**	(127.3)
	164.3	1.1

19 Deferred income taxes (Continued)

The movements in the deferred income tax assets are as follows:

	Inventories RMB million	Tax losses RMB million	Others RMB million	Total RMB million
As at 1 March 2018	58.1	17.8	42.6	118.5
(Charged)/credited to profit or loss (Note 10)	(20.7)	13.2	17.4	9.9
As at 28 February 2019 and 1 March 2019	37.4	31.0	60.0	128.4
Credited/(charged) to profit or loss (Note 10)	85.2	(6.5)	30.4	109.1
As at 29 February 2020	**122.6**	**24.5**	**90.4**	**237.5**

The movements in the deferred income tax liabilities are as follows:

	Distribution and license contracts RMB million	Undistributed profits RMB million	Total RMB million
As at 1 March 2018	18.5	–	18.5
(Credited)/charged to profit or loss (Note 10)	(8.9)	117.7	108.8
As at 28 February 2019 and 1 March 2019	9.6	117.7	127.3
Credited to profit or loss (Note 10)	(8.9)	(45.2)	(54.1)
As at 29 February 2020	**0.7**	**72.5**	**73.2**

19 Deferred income taxes (Continued)

As at 29 February 2020 and 28 February 2019, except that the deferred income tax assets on unrealized profit and impairment losses on closing inventories were expected to be recoverable within 12 months, other deferred income tax assets and liabilities were mainly expected to be recovered or settled after more than 12 months.

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. As at 29 February 2020, the Group had unrecognized tax losses to be carried forward against future taxable income amounting to RMB121.8 million (2019: RMB67.7 million). All of these unrecognized tax losses will expire within 5 years.

As at 29 February 2020, the potential deferred income tax assets in respect of the above unrecognized tax losses amounted to RMB26.7 million (2019: RMB14.5 million).

Pursuant to the relevant PRC corporate income tax rules and regulations, withholding tax is imposed on remittance of dividends in respect of profits earned by the Company's PRC subsidiaries. Deferred income tax liabilities of approximately RMB418.1 million (2019: RMB255.7 million) have not been provided for at the applicable tax rate of 5% in these consolidate financial statements in respect of temporary differences attributable to undistributed profits of the Company's PRC subsidiaries as the Group controls the dividend policy of these PRC subsidiaries and it is probable that these temporary differences will not reverse in the foreseeable future.

20 Inventories

	As at	
	29 February 2020 RMB million	28 February 2019 RMB million
Merchandise for sale and consumables	**6,698.6**	6,170.8
Less: provision for impairment losses	**(49.6)**	(32.1)
	6,649.0	6,138.7

The cost of inventories amounting to RMB19,485.2 million (2019: RMB18,957.1 million) and the provision for impairment of inventories amounting to RMB17.5 million (2019: Nil) were included in cost of sales during the year ended 29 February 2020.

21 Trade receivables

	As at 29 February 2020 RMB million	As at 28 February 2019 RMB million
Trade receivables	**1,539.5**	2,551.5
Loss allowance	**(52.8)**	(33.7)
	1,486.7	2,517.8

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 29 February 2020, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 29 February 2020 RMB million	As at 28 February 2019 RMB million
0 to 30 days	**1,209.8**	2,301.8
31 to 60 days	**191.9**	101.1
61 to 90 days	**26.7**	18.8
Over 90 days	**111.1**	129.8
	1,539.5	2,551.5
Loss allowance	**(52.8)**	(33.7)
	1,486.7	2,517.8

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

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

	Year ended 29 February 2020 RMB million	Year ended 28 February 2019 RMB million
At the beginning of the year	**33.7**	–
Increase in loss allowance (Note 8)	**19.1**	33.7
At the end of the year	**52.8**	33.7

21 Trade receivables (Continued)

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Information about the impairment of trade receivables and the Group's exposure to credit risk are detailed in Note 3.1(c).

22 Bank balances and cash and term deposits

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Bank balances and cash	**2,823.9**	650.5
Pledged term deposits, under cross-border cash pooling arrangement (note)	**3,594.7**	–
	6,418.6	650.5
Denominated in the following currencies:		
RMB	**2,746.1**	647.4
HK$	**3,672.5**	2.7
US$	**–**	0.4
	6,418.6	650.5

Note: As at 29 February 2020, pledged terms deposits represented deposits placed in a bank under a cross-border cash pooling arrangement operating among certain subsidiaries of the Group. The term deposits were pledged to the bank against cash drawing as borrowings by subsidiaries of the Group under this cross-border cash pooling arrangement (Note 25).

As at 29 February 2020, these deposits carried interest rates from 2.48% to 2.53% per annum. The carrying amounts of the pledged deposits approximate their fair values.

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

23 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. As at 29 February 2020, the aging analysis of trade payables, based on invoice date, is as follows:

	As at 29 February 2020 RMB million	28 February 2019 RMB million
0 to 30 days	**1,072.5**	638.5
31 to 60 days	**32.0**	3.2
Over 60 days	**1.0**	0.3
	1,105.5	642.0

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

24 Other payables, accruals and other liabilities

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Accrued wages, salaries, bonuses and staff welfare	**309.1**	320.3
Value-added tax, business tax and other taxes payables	**343.9**	253.0
Customers' deposits	**170.0**	143.0
Other payables and accruals	**330.0**	170.8
Contract liabilities (note)	**440.2**	547.8
	1,593.2	1,434.9

Note: Substantially all the contract liabilities at the beginning of the years ended 29 February 2020 and 28 February 2019 have been recognized as revenue during the respective financial reporting period as the Group will normally deliver the goods to satisfy the remaining performance obligations of the relevant contract liabilities within one year or less.

25 Short-term borrowings

	As at 29 February 2020 RMB million	28 February 2019 RMB million
Bank loans – unsecured	**400.0**	1,100.0
Bank overdrafts – unsecured	**–**	200.0
Secured borrowings under a cross-border cash pooling arrangement	**2,000.0**	–
	2,400.0	1,300.0

As at 29 February 2020, the Group's short-term bank loans and overdrafts are unsecured and carry interest at floating rates with weighted average effective interest rate of 3.5% (2019: 4.5%) per annum. The carrying amounts of the Group's short-term bank loans and overdrafts are denominated in RMB and approximate their fair values.

As at 29 February 2020, secured borrowings of RMB2,000.0 million were drawn under a cross-border cash pooling arrangement operating among certain subsidiaries of the Group, which is secured by the pledged term deposits as detailed in Note 22. These borrowings carried interest at fixed rates with weighted average effective interest rate of 3.1% per annum.

26 Share capital

	Number of Ordinary shares	Nominal value of ordinary shares
Authorized:		
As at 28 February 2019	5,000,000	US$500,000
As at 29 February 2020	**20,000,000,000**	**HK$20,000**
Issued and fully paid:		HK$
Issuance at September 5, 2018 (date of incorporation), and as at 28 February 2019 and 1 March 2019	1	–
Repurchase and cancellation of ordinary share (note (a))	(1)	–
Issuance of share to give effect the Reorganization (note (a))	1	–
Shares issued under the capitalization issue (note (a))	5,271,038,023	5,271
Shares issued pursuant to the Listing (note (b))	930,184,000	930
As at 29 February 2020	**6,201,222,024**	**6,201**

Notes:

(a) Pursuant to the written resolutions of the Company's sole shareholder passed on 6 September 2019: (a) the authorized share capital of the Company was increased from US$500,000 divided into 5,000,000 ordinary share of a par value of US$0.1 each to the aggregate of (i) US$500,000 divided into 5,000,000 ordinary shares of a par value of US$0.1 each and (ii) HK$20,000 divided into 20,000,000,000 Shares of a par value of HK$0.000001 each 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.

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

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

27 Other reserves

(a) Other reserves of the Group

	Share premium RMB million (note (a))	Capital reserve RMB million (note (b))	Exchange reserve RMB million	Statutory reserve RMB million (note (c))	Total RMB million
At 1 March 2018	–	841.0	–	524.7	1,365.7
Exchange difference	–	–	1.5	–	1.5
Appropriation to statutory reserves	–	–	–	50.4	50.4
Issue of share to give effect to the Reorganization (Note 1.2)	19,320.0	(19,330.0)	–	–	(10.0)
Other contributions from Belle International (note (d))	–	50.4	–	–	50.4
At 28 February 2019 and 1 March 2019	**19,320.0**	**(18,438.6)**	**1.5**	**575.1**	**1,458.0**
Exchange difference	**–**	**–**	**(41.6)**	**–**	**(41.6)**
Appropriation to statutory reserves	**–**	**–**	**–**	**100.5**	**100.5**
Other contributions from Belle International (note (d))	**–**	**1.0**	**–**	**–**	**1.0**
Issuance of ordinary shares (Note 26)	**7,211.0**	**–**	**–**	**–**	**7,211.0**
Share issuance costs (note (e))	**(135.5)**	**–**	**–**	**–**	**(135.5)**
At 29 February 2020	**26,395.5**	**(18,437.6)**	**(40.1)**	**675.6**	**8,593.4**

27 Other reserves (Continued)

(a) Other reserves of the Group (Continued)

Notes:

(a) Share premium

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

(b) Capital reserve

Capital reserve comprises of a merger reserve arising from the Reorganization, representing the excess of the fair value of the Company's share issued for Reorganization over the combined capital of the companies now comprising the Group after elimination of inter-company investments, if any, immediately before the Reorganization. Capital reserve also included other contributions from Belle International as detailed in note (d) below.

(c) Statutory reserve

Statutory reserves are non-distributable and the transfers of these funds are determined by the Board of Directors of the relevant PRC subsidiaries in accordance with the relevant laws and regulations in the PRC.

(d) Other contributions from Belle International

As part of the Reorganization, certain property, plant and equipment, land use rights and investment properties being held by the Group have been transferred to entities controlled by Belle International other than the Group.

During the year ended 29 February 2020, the excess of consideration over the carrying amount of these assets transferred amounting to RMB1.0 million (2019: RMB50.4 million), is recognized as a contribution from Belle International.

(e) Share issuance costs

Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs that are directly attributable to the Listing.

28 Notes to consolidated statement of cash flows

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Note	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Profit before income tax		**3,086.1**	3,045.3
Adjustments for:			
Depreciation on property, plant and equipment	15	**700.8**	651.3
Depreciation on right-of-use assets	16(a)	**1,751.7**	1,379.4
Amortization of intangible assets	17	**56.7**	40.3
Loss on disposal of property, plant and equipment	28(c)	**2.8**	2.5
Write-off of property, plant and equipment	15	**14.9**	14.1
Impairment of trade receivables	21	**19.1**	33.7
Impairment of right-of-use assets	16	**43.9**	–
Impairment of inventories	20	**17.5**	–
Interest income	9	**(55.3)**	(20.0)
Interest expense	9	**272.1**	211.2
Others		**9.5**	1.5
Operating profit before changes in working capital		**5,919.8**	5,359.3
Changes in working capital:			
Increase in long-term deposits, prepayments and other receivables		**(45.9)**	(29.7)
Increase in inventories		**(527.8)**	(1,406.2)
Decrease in trade receivables		**1,012.0**	81.8
Decrease/(increase)in deposits, prepayments and other receivables		**38.6**	(211.4)
Increase in trade payables		**484.9**	229.9
Increase in other payables, accruals and other liabilities		**94.0**	68.0
Net cash generated from operations		**6,975.6**	4,091.7

28 Notes to consolidated statement of cash flows (Continued)

(b) In the consolidated statement of cash flows, payments for purchases of property, plant and equipment and intangible assets are analyzed as follows:

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Additions to:		
– Property, plant and equipment	**766.3**	812.8
– Intangible assets	**15.2**	108.6
(Decrease)/increase in prepayments	**(5.3)**	6.9
Increase in other payables	**(64.3)**	(10.4)
	711.9	917.9

(c) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 29 February 2020 RMB million	28 February 2019 RMB million
Net book value	**12.4**	12.2
Loss on disposal of property, plant and equipment	**(2.8)**	(2.5)
Proceeds from disposals	**9.6**	9.7

(d) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB million	Lease liabilities RMB million
As at 1 March 2018	–	2,484.6
Non-cash movements	–	2,351.4
Cash flows	1,100.0	(1,535.1)
As at 28 February 2019 and 1 March 2019	**1,100.0**	**3,300.9**
Non-cash movements	**–**	**2,459.1**
Cash flows	**1,300.0**	**(1,895.4)**
As at 29 February 2020	**2,400.0**	**3,864.6**

28 Notes to consolidated statement of cash flows (Continued)

(e) Acquisition of a business

In August 2018, the Group acquired a chain of retail outlets from an independent third party for a net cash consideration of RMB115.7 million. The assets acquired mainly comprised the fair value of inventories of RMB109.7 million whereas other tangible and intangible assets of the business acquired totalling RMB6.0 million are relatively insignificant to the Group. As at 29 February 2020, there was nil consideration payable (2019: RMB21.4 million).

The revenue and the results contributed by the acquired business to the Group for the period since acquisition were insignificant to the Group. The Group's revenue and results for the year ended 28 February 2019 would not be materially different if the acquisition had occurred on 1 March 2018.

29 Future minimum lease payments receivables

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

	As at	
	29 February 2020 RMB million	28 February 2019 RMB million
Not later than 1 year	**35.1**	25.0
Later than 1 year and not later than 5 years	**22.7**	19.4
	57.8	44.4

30 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 these consolidated financial statements:

Transactions for the year

	Year ended	
	29 February 2020 RMB million	28 February 2019 RMB million
Transactions with companies controlled by Belle International other than the Group (note (a))		
– Sale of goods	**15.4**	29.9
– Rental income	**–**	0.9
– Logistics services fees	**301.9**	347.6
– E-commerce services fees	**113.3**	128.5
– Rental expenses	**33.0**	21.5
Key management compensation		
– Salaries, bonuses and other welfare (note (b))	**10.7**	10.3

Year-end balances

	As at	
	29 February 2020 RMB million	28 February 2019 RMB million
Amounts due from fellow subsidiaries (note (c))	**–**	52.0
Amounts due to (note (c)):		
– Belle International	**–**	3,355.0
– Fellow subsidiaries	**–**	205.2
	–	3,560.2

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) The balances with related parties were unsecured, interest free, repayable on demand and were denominated in RMB.

31 Balance Sheet of the Company

	As at 29 February 2020 RMB million	As at 28 February 2019 RMB million
ASSETS		
Non-current assets		
Investments in subsidiaries	**24,216.1**	19,320.0
Current assets		
Amounts due from subsidiaries	**3,648.3**	3,500.0
Bank balances	**0.5**	–
	3,648.8	3,500.0
Total assets	**27,864.9**	22,820.0
LIABILITIES		
Current liabilities		
Accruals	**30.6**	–
Dividend payable	**1,635.3**	3,500.0
Total liabilities	**1,665.9**	3,500.0
Net assets	**26,199.0**	19,320.0
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**–**	–
Other reserves (note)	**25,992.8**	19,320.0
Retained earnings (note)	**206.2**	–
Total equity	**26,199.0**	19,320.0

31 Balance Sheet of the Company (Continued)

Note: Reserves of the Company

	Share premium RMB million	Exchange reserve RMB million	Retained earnings RMB million	Total RMB million
At 5 September 2018 (date of incorporation)	–	–	–	–
Profit for the period	–	–	3,500.0	3,500.0
Dividend (Note 12)	–	–	(3,500.0)	(3,500.0)
Issue of share to give effect the Reorganization	19,320.0	–	–	19,320.0
At 28 February 2019 and 1 March 2019	19,320.0	–	–	19,320.0
Profit for the year	–	–	950.3	950.3
Issuance of ordinary shares (Note 27)	7,211.0	–	–	7,211.0
Share issuance costs (Note 27)	(135.5)	–	–	(135.5)
Dividend (Note 12)	–	–	(744.1)	(744.1)
Exchange differences	–	(402.7)	–	(402.7)
At 29 February 2020	**26,395.5**	**(402.7)**	**206.2**	**26,199.0**

32 Particulars of Principal Subsidiaries

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2019	Effective interest held by the Group As at 29 February 2020
Directly held:					
Topsports Group Limited	BVI	1 ordinary share of US$0.10	Investment holding	100%	**100%**
Indirectly held:					
Fullbest Investments Limited	BVI	20,000 ordinary shares of US$1 each	Investment holding	100%	**100%**
Synergy Eagle Limited	BVI	10,000 ordinary shares of US$1 each	Investment holding	100%	**100%**
Full State Corporation Limited	Hong Kong	HK$10,000,000 for 10,000,000 ordinary shares issued	Investment holding	100%	**100%**
Main Success Enterprises Limited	Hong Kong	HK$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	**100%**
Rich Advance Limited	Hong Kong	HK$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	**100%**

32 Particulars of Principal Subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2019	Effective interest held by the Group As at 29 February 2020
Indirectly held: (Continued)					
Hongkong Full Wealth Holdings Limited	Hong Kong	HK$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	**100%**
Sino Group Development Limited	Hong Kong	HK$8,000,000 for 8,000,000 ordinary shares issued	Investment holding	100%	**100%**
陝西滔搏體育商貿有限公司 (Shaanxi Taobo Sports Commerce and Trade Co., Ltd.)^#	The PRC	RMB240,000,000	Trading of sportswear products	100%	**100%**
成都市滔搏商貿有限公司 (Chengdu Taobo Trading Company Limited)^#	The PRC	RMB242,000,000	Trading of sportswear products	100%	**100%**
雲南立銳體育用品有限公司 (Yunnan Lirui Sports Products Co., Ltd.)^#	The PRC	RMB220,750,000	Trading of sportswear products	100%	**100%**
百朗商貿(深圳)有限公司 (Bailang Commerce and Trade (Shenzhen) Co., Ltd.)^#	The PRC	US$5,000,000	Trading of sportswear products	100%	**100%**
北京崇德商貿有限公司 (Beijing Chongde Trading Co., Ltd.)^	The PRC	US$12,000,000	Trading of sportswear products	100%	**100%**
青島傳承國際商貿有限公司 (Qingdao Chuancheng International Trading Company Limited)^#	The PRC	US$32,000,000	Trading of sportswear products	100%	**100%**
麗珂貿易(沈陽)有限公司 (Like Trade (Shenyang) Co., Ltd.)^#	The PRC	US$32,000,000	Trading of sportswear products	100%	**100%**
天津十力崇德運動服飾有限公司 (Tianjin Shili Chongde Sports Clothing Co., Ltd.)@#	The PRC	RMB2,000,000	Trading of sportswear products	100%	**100%**
領聘貿易(上海)有限公司 (Lingpin Trading Shanghai Company Limited)^#	The PRC	US$1,000,000	Operation of sports cities business and investment holdings	100%	**100%**
河南頤和國際商貿有限公司 (Henan Yihe International Trading Company Limited)^#	The PRC	US$1,000,000	Operation of sports cities business	100%	**100%**

32 Particulars of Principal Subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2019	Effective interest held by the Group As at 29 February 2020
Indirectly held: (Continued)					
滔博商貿(沈陽)有限公司 (Taobo Commerce and Trade (Shenyang) Co., Ltd.)^#	The PRC	US$5,000,000	Operation of sports cities business and investment holdings	100%	**100%**
湖北競速商貿有限公司 (Hubei Jingsu Commerce and Trade Co., Ltd.)^#	The PRC	US$1,000,000	Trading of sportswear products	100%	**100%**
貴州滔搏體育用品有限公司 (Guizhou Taobo Sports Company Limited)@#	The PRC	RMB5,000,000	Trading of sportswear products	100%	**100%**
河南智華商貿有限公司 (Henan Zhihua Commerce and Trade Co., Ltd.)@#	The PRC	RMB5,000,000	Operation of sports cities business	100%	**100%**
北京滔捷商貿有限公司 (Beijing Taojie Commerce and Trade Co., Ltd.)^#	The PRC	US$1,000,000	Operation of sports cities business and investment holdings	100%	**100%**
重慶市滔搏商貿有限公司 (Chongqing Taobo Commerce and Trade Co., Ltd.)^#	The PRC	US$2,000,000	Trading of sportswear products	100%	**100%**
浙江滔搏體育用品有限公司 (Zhejiang Taobo Sports Products Co., Ltd.)^#	The PRC	RMB87,264,000	Trading of sportswear products	100%	**100%**
石家莊滔搏商貿有限公司 (Shijiazhuang Taobo Trading Company Limited)^#	The PRC	RMB27,277,100	Trading of sportswear products	100%	**100%**
山西滔搏商貿有限公司 (Shanxi Taobo Commerce and Trade Co., Ltd.)^#	The PRC	RMB37,118,000	Trading of sportswear products	100%	**100%**
江蘇滔搏體育用品有限公司 (Nanjing Taobo Sports Products Co., Ltd.)^#	The PRC	RMB81,946,900	Trading of sportswear products	100%	**100%**
廣西百朗體育用品有限公司 (Bailang Sports Products Co., Ltd.)@#	The PRC	RMB5,000,000	Trading of sportswear products	100%	**100%**
滔搏投資(上海)有限公司 (Taobo Investment (Shanghai) Co., Ltd.)^#	The PRC	US$30,000,000	Trading of sportswear products	100%	**100%**

32 Particulars of Principal Subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2019	As at 29 February 2020
Indirectly held: (Continued)					
湖南滔搏商貿有限公司 (Hunan Taobo Trading Company Limited)@#	The PRC	RMB15,000,000	Trading of sportswear products	100%	**100%**
雲盛海宏信息技術(深圳)有限公司 (Wonhigh Information Technology (Shenzhen) Co., Ltd.)^#	The PRC	HK$60,000,000	Provision of information technology services	100%	**100%**
廈門永朗商貿有限公司 (Xiamen Yonglang Trading Company Limited)@#	The PRC	RMB5,000,000	Trading of sportswear products	100%	**100%**
滔搏企業發展(上海)有限公司 (Topsports Enterprise Development Fazhang (Shanghai) Company Limited)^#	The PRC	RMB100,000,000	Trading of sportswear products	100%	**100%**
滔搏運動服飾（天津）有限公司 (Taobo Sports (Tianjin) Company Limited)@#	The PRC	RMB50,000,000	Trading of sportswear products	100%	**100%**
大連傳承滔搏商貿有限公司 (Dalian Chuancheng Taobo Trading Company Limited)@#	The PRC	RMB2,000,000	Trading of sportswear products	100%	**100%**
黑龍江省滔搏商貿有限公司 (Heilongjiang Taobo Trading Company Limited)@#	The PRC	RMB2,000,000	Trading of sportswear products	100%	**100%**
吉林省傳承滔搏商貿有限公司 (Jilin Chuancheng Taobo Trading Company Limited)@#	The PRC	RMB2,000,000	Trading of sportswear products	100%	**100%**

^ The Company is established as a wholly foreign-owned enterprise in the PRC.

@ The Company is a limited liability company in the PRC.

English translation is for identification purpose only. The English names of the group companies incorporated in the PRC represent the best effort by the management of the Group in translating its Chinese name as they do not have official English names.

Hong Kong is the place of operation of companies incorporated in the BVI and Hong Kong. Companies established in the PRC also operate in the PRC.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out as follows:

		Year ended			
		29 February 2020	28 February 2019	28 February 2018	28 February 2017
Operating results:					
Revenue	RMB million	**33,690.2**	32,564.4	26,549.9	21,690.3
Gross profit	RMB million	**14,187.5**	13,607.3	11,038.3	9,378.4
Operating profit	RMB million	**3,302.9**	3,236.8	2,252.0	1,939.9
Profit attributable to the Company's equity holders	RMB million	**2,303.4**	2,199.8	1,436.0	1,317.3
Non-IFRS Measure – Adjusted operating profit	RMB million	**3,390.3**	3,282.4	2,635.0	2,169.3
Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders	RMB million	**2,381.9**	2,236.5	1,810.1	1,537.8
Assets and liabilities:					
Bank balances and cash	RMB million	**6,418.6**	650.5	463.6	674.3
Short-term borrowings	RMB million	**2,400.0**	1,300.0	400.0	–
Total assets	RMB million	**22,035.2**	16,216.4	14,352.8	12,181.5
Total liabilities	RMB million	**11,492.2**	14,267.6	10,571.4	7,287.3
Total equity	RMB million	**10,543.0**	1,948.8	3,781.4	4,894.2
Key financial indicators:					
Gross profit margin	%	**42.1**	41.8	41.6	43.2
Operating profit margin	%	**9.8**	9.9	8.5	8.9
Profit margin attributable to the Company's equity holders	%	**6.8**	6.8	5.4	6.1
Non-IFRS Measure – Adjusted operating profit margin	%	**10.1**	10.1	9.9	10.0
Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders	%	**7.1**	6.9	6.8	7.1
Earnings per share – basic and diluted	RMB cents	**40.88**	41.73	N/A	N/A
Adjusted earnings per share, for illustrative purpose	RMB cents	**37.14**	35.47	N/A	N/A
Average trade receivables turnover period	days	**21.8**	28.9	30.9	33.1
Average trade payables turnover period	days	**16.4**	9.9	8.6	8.5
Average inventory turnover period	days	**120.0**	103.5	103.2	103.6
Gearing ratio	%	**Net cash**	25.0	Net cash	Net cash
Current ratio	times	**1.7**	0.9	1.1	1.3