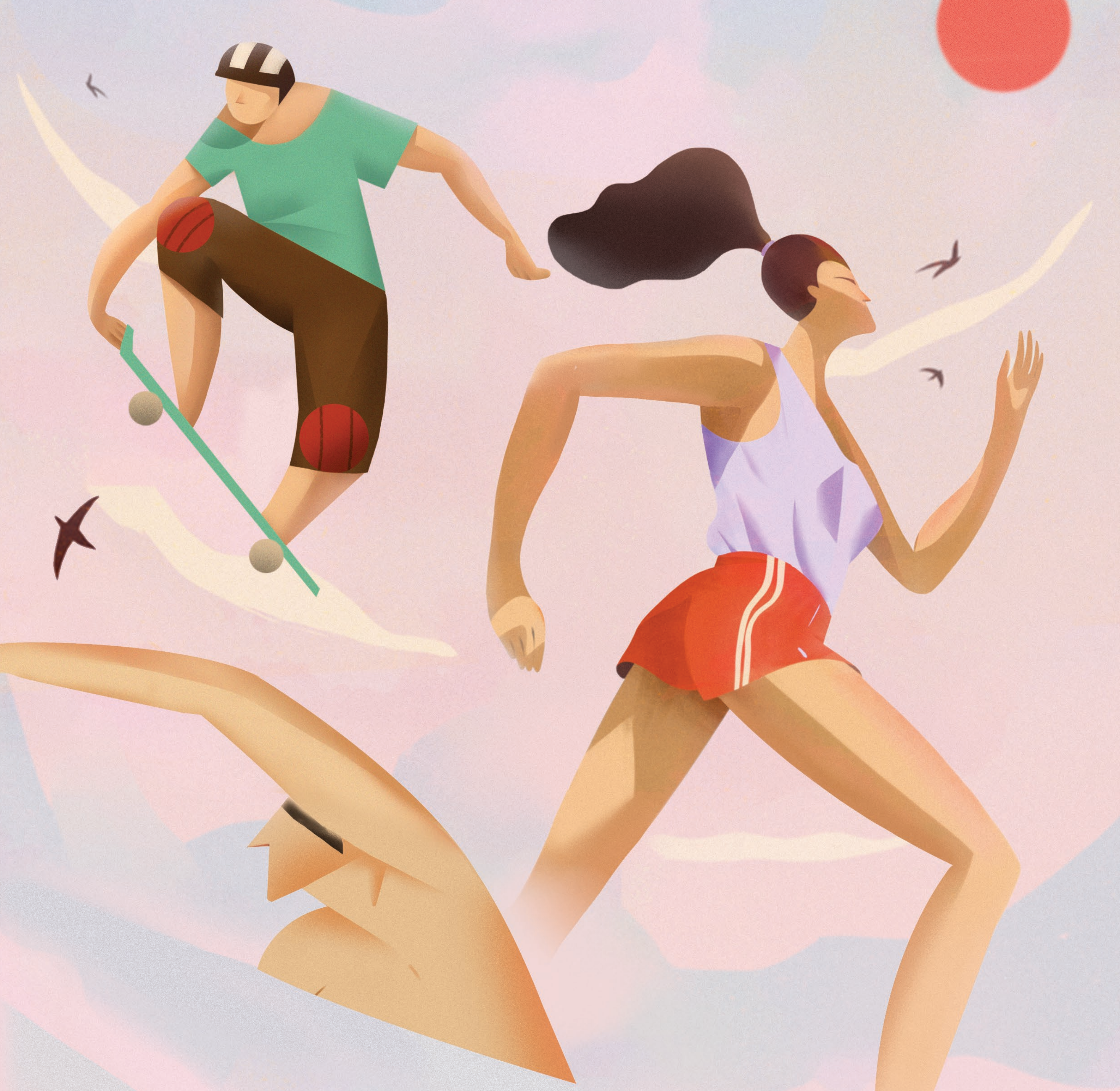
# 2020/21 ANNUAL REPORT



TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

滔搏國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6110

TOPSPORTS 滔搏

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# CORPORATE INFORMATION

## Board of Directors

### Chairman

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

### Executive Directors

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

### Non-executive Directors

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

### Independent Non-executive Directors

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

## Authorized Representatives

Mr. LEUNG Kam Kwan
Ms. YUNG Josephine Yuen Ching

## Audit Committee

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

## Remuneration Committee

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

## Nomination Committee

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

## Company Secretary

Mr. LEUNG Kam Kwan, *FCPA*

## Registered Office

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

## Head Office and Principal Place of Business in Hong Kong

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

## Principal Place of Business in the PRC

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

## Stock Code

6110

## Website

www.topsports.com.cn

## Auditor

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

## Legal Advisor

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

## Compliance Advisor

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

## Principal Share Registrar

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

## Hong Kong Branch Share Registrar

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

## Principal Bankers

Bank of Communications Co., Ltd.
China Merchants Bank Co., Ltd.
Bank of China (Hong Kong) Ltd.
The Hongkong and Shanghai Banking Corporation Ltd.

# FINANCIAL HIGHLIGHTS

| | | Year ended 28 February 2021 | 29 February 2020 |
|---|---|---|---|
| Revenue | RMB million | **36,009.0** | 33,690.2 |
| Gross profit | RMB million | **14,681.1** | 14,187.5 |
| Operating profit | RMB million | **3,989.4** | 3,302.9 |
| Profit attributable to the Company's equity holders | RMB million | **2,770.1** | 2,303.4 |
| Non-IFRS Measure – Adjusted operating profit (1) | RMB million | **3,992.3** | 3,390.3 |
| Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders (1) | RMB million | **2,772.3** | 2,381.9 |
| Gross profit margin | % | **40.8** | 42.1 |
| Operating profit margin | % | **11.1** | 9.8 |
| Profit margin attributable to the Company's equity holders | % | **7.7** | 6.8 |
| Non-IFRS Measure – Adjusted operating profit margin | % | **11.1** | 10.1 |
| Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders | % | **7.7** | 7.1 |
| Earnings per share – basic and diluted (2) | RMB cents | **44.67** | 40.88 |
| Adjusted earnings per share – basic and diluted, for illustrative purpose (2) | RMB cents | **44.67** | 37.14 |
| Dividend per share | | | |
| – interim, paid | RMB cents | **12.00** | 12.00 |
| – special, paid | RMB cents | **40.00** | N/A |
| – final, proposed | RMB cents | **12.00** | 7.00 |
| Average trade receivables turnover period | days | **18.6** | 21.8 |
| Average trade payables turnover period | days | **13.3** | 16.4 |
| Average inventory turnover period | days | **110.0** | 120.0 |

| | | As at 28 February 2021 | 29 February 2020 |
|---|---|---|---|
| Gearing ratio | % | **Net cash** | Net cash |
| Current ratio | times | **1.9** | 1.7 |

Notes:

(1) Adjusted operating profit and adjusted profit attributable to the Company's equity holders are not calculated in accordance with International Financial Reporting Standards ("IFRS"), and they are considered as non-IFRS financial measures. The adjusted operating profit and adjusted profit attributable to the Company's equity holders are adjusted by adding back the effect of the amortization of the intangible assets arising from business combination and listing expenses. 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, 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 RMB2,770.1 million for the year ended 28 February 2021 (2020: RMB2,303.4 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2020: 5,634,470,570 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,**

Looking back at 2020, the unprecedented challenges and complexities which all stakeholders encountered are still reshaping the ongoing present as well as our future to step into. In early of the year, a sudden onset of Novel Coronavirus Disease (COVID-19) ("the Pandemic") swiftly swept the globe. The abruptness and variability of the Pandemic have hindered economic activities in various degrees and brought forth the most profound impact in recent years. China has led the world to confront challenges and yielded early results in managing the prevention and control work nimbly by a targeted approach with concerted efforts of stakeholders across China. China's Gross Domestic Product (GDP) rise 2.3% year-on-year and exceeded RMB100 trillion, as the only major economy in the world that achieved positive economic growth in 2020. China's economic structure steadily optimized on condition that the new pattern of "Dual Circulation" was accelerated. Meanwhile, digital economy gradually unfolded its broad future prospect.

Throughout the year, by focusing on our mission of "breaking boundaries through sports and inspire limitless possibilities", Topsports continued to create boundless, positive, healthy and joyous life experiences inspired by sports for consumers. Despite the regular consumption behaviors and patterns were reshaped, the pursuit for healthier lifestyle and awareness further raised to new heights, enabling the sportswear industry to perform more resilient amid the Pandemic outbreak. To react with the market trends through agility, as a nation-wide retailer at the forefront of consumer insights, Topsports has been actively exploring innovations with its own existing strengths, and developing the capability to think outside of the traditional realms on ongoing basis. The Company has to be well prepared for uncertain market conditions in the long term. As at 28 February 2021, even with the impact of the Pandemic, the gross selling area of Topsports's direct-operated stores recorded positive growth year-on-year, with the total number of stores decreased to 8,006. This again proved our ability to seize potential opportunities amid market complexities. Our consumer engagements have extended beyond the traditional boundaries of physical occasions to scale up for more possibilities. The total number of enrolled members reached 40.9 million. During the year, we steadily implemented our digital transformation in three scopes, including empowering our business operations, consumer experiences, as well as consumer insights. We target the entire enterprise to gradually step into a more precise and efficient future driven by digital transformation initiatives, in order to provide our consumers with incredible services and experiences.

In light of the Pandemic, supported by our disciplined markdown and efficient cost control, the Company's annual revenue growth for the year ended 28 February 2021 was increased by 6.9% year-on-year, adjusted operating profit increased by 17.8% year-on-year, and adjusted profit attributable to the Company's equity holders increased by 16.4% year-on-year. The Board has recommended a final dividend of RMB12.00 cents per ordinary share. Together with an interim dividend of RMB12.00 cents per ordinary share and a special dividend of RMB40.00 cents per ordinary share, the total dividend for the financial year ended 28 February 2021 amounts to RMB64.00 cents per ordinary share.

At present, future headwinds remain uncertain under the new normal, despite the global prevention and control work was encouraged by the release of vaccines in stages. Looking back, the Company has observed the varieties occurred in China's sportswear market for more than 20 years. Striving for innovations among competitions has been our constant approach as a retail company to overcome market challenges at times. Looking ahead, we remain optimistic in the market potential and future development of China's sportswear industry given the supports from national policies as well as rising health awareness amongst the public in light of the Pandemic. We are confident that we will continue to explore and seize new opportunities in a changing market environment to achieve breakthrough with quality growth at scale.

**SHENG Baijiao**
*Chairman & Non-executive Director*

Hong Kong, 24 May 2021

# STATEMENT FROM CEO

**Dear Shareholders,**

Looking back on the past year, both the global economy and the retail industry was hindered in various degrees by the global outbreak and continued spread of the Pandemic. China has made steady progress in containing the Pandemic within a relatively short period through timely, rigorous and through prevention measures. In respect of sports industry, although offline sports events have been suspended to various degrees, the public has become more focused on health awareness attributable to the Pandemic, which imperceptibly influenced the changing consumption patterns and occasions. In light of the Pandemic, the release of national policies remained as positive supports for sports industry to achieve quality growth. According to the "14th Five Year Plan", China will accelerate the implementation of building a leading sports nation and constantly innovate the supply mechanism of sports products to capture new demand for sports consumption. The General Administration of Sport of China estimated that the size of China's sports industry will account for 4% of its GDP by 2035, and will become an important pillar that support China's economic progress.

In respond to market dynamics, Topsports chose to react proactively in facing challenges by leveraging our existing advantages and persistently delivered quality earnings growth. Looking back at the beginning of the year, temporary store closures and lower customer traffic had profoundly impact on performance of our directly-operated stores. To rethink and react to the changing market dynamics as well as explore innovative measures to respond, Topsports has swiftly leveraged our existing operating advantages and well-established capabilities. While actively seizing the market opportunities through offline network, we have also cooperated with upstream and downstream partners to expand and accelerate the application and iteration of multiple existing digital tools. Through the store-based social community operation and diversified membership activities and benefits, we seamlessly connected with consumers with high-quality service. With the implementation of targeted prevention and control measures, the nation-wide resumption of work and social production has proceeded steadily. Topsports has once again proved our capabilities in operating adaptability, decision-making and execution, thereby cultivating long-term "Digital Immunity".

We are constantly proceeding towards our goals steadily and diligently. We remain confident in the long-term development of the China's sports industry as well as our own ability to provide services for consumers and sports enthusiasts in China with more precision and efficiency through our customer-centric, omnipresent and multi-occasional sportswear retail and service platform in a changing market environment. We believe that we will continue to seize new opportunities in facing new challenges to pursue breakthrough and development at scales.

## 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 28 February 2021 as follows:

For the financial year ended 28 February 2021, our revenue growth was 6.9% year-on-year, our operating profit increased by 20.8% to RMB3,989.4 million year-on-year, and our adjusted operating profit increased by 17.8% year-on-year. The profit attributable to the Company's equity holders was RMB2,770.1 million, with an increase of 20.3% year-on-year, and the adjusted profit attributable to the Company's equity holders increased by 16.4% year-on-year. Basic earnings per share was RMB44.67 cents, increasing by 9.3% year-on-year, as the impact of new shares issued upon the global offering in October 2019. Adjusted earnings per share was RMB44.67 cents, increasing by 20.3% year-on-year, 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 RMB12.00 cents per ordinary share for the financial year ended 28 February 2021. Together with the interim dividend of RMB12.00 cents per ordinary share and the special dividend of RMB40.00 cents per ordinary share (paid on 24 December 2020), the total dividends for the financial year ended 28 February 2021 amount to RMB64.00 cents per ordinary share (2020: RMB19.00 cents per ordinary share).

## BUSINESS REVIEW

During the year, the total number of directly-operated stores recorded a net decrease year-on-year as affected by the Pandemic. Nonetheless, benefiting from the continuous consolidation of the strategy of "Optimized Location + Optimized Operation" and the stable expansion of big format stores, we have recorded a year-on-year increase of the total gross selling area amid market headwinds. The number of enrolled members have maintained steady growth with seamless engagement with consumers through multi-occasional connections. Meanwhile, digital transformation with an aim of "Precision and Efficiency" was advancing steadily. The overall profitability has again achieved high-quality growth with breakthrough.

### 1. Seize Market Opportunities and Achieve Expansion of Directly-operated Retail Network Amid the Pandemic

During the year, we remain focused on optimized selection of store locations and store upgrade for our direct-operated retail store network, accelerating the closure of low-productivity and loss-making stores. Meanwhile, we have proactively upgraded the stores with proven higher sales potential to create a higher-quality interactive shopping experience, so as to enhance our retail network advantages, jointly with our brand partners. We have directly operated 8,006 stores in over 350 cities from tier 1 to 7 cities across the country as at 28 February 2021.

In terms of the number of directly-operated retail stores, we recorded a net decrease of 389 stores with gross selling area increasing by 4.1% as at 28 February 2021 as compared with 29 February 2020. The percentage of stores with average selling area over 150 sq.m continued to grow. Among these, stores over 300 sq.m accounted for 9.4%, representing an increase of 2.1 percentage points as compared with 29 February 2020.

Changes in the number of our stores during the year:

| | As at 28/29 February | | | |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | **2021** |
| Number of stores<br>At the beginning of the year | 7,605 | 8,302 | 8,343 | **8,395** |
| Opening of new stores | 1,639 | 1,415 | 1,416 | **713** |
| Closure of stores | (942) | (1,374) | (1,364) | **(1,102)** |
| Net increase/(decrease) in the number of stores | 697 | 41 | 52 | **(389)** |
| At the end of the year | 8,302 | 8,343 | 8,395 | **8,006** |

Numbers and percentages of our stores by size:

| | As at 28/29 February | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | % | 2019 | % | 2020 | % | **2021** | **%** |
| Store size: | | | | | | | | |
| 150 sq.m or smaller | 6,268 | 75.5% | 5,947 | 71.3% | 5,732 | 68.3% | **5,192** | **64.8%** |
| Between 150 and 300 sq.m | 1,779 | 21.4% | 1,978 | 23.7% | 2,051 | 24.4% | **2,064** | **25.8%** |
| Larger than 300 sq.m | 255 | 3.1% | 418 | 5.0% | 612 | 7.3% | **750** | **9.4%** |
| Total | 8,302 | 100.0% | 8,343 | 100.0% | 8,395 | 100.0% | **8,006** | **100.0%** |

## 2. Continued Breakthrough of Membership Expansion at Scale through Multi-occasional Connections with Consumers

During the financial year ended 28 February 2021, despite the challenges by the Pandemic to the overall retail industry, we continued to engage with consumers through multi-occasional connections and to offer diversified activities and benefits to members, so as to enhance consumer's perception and recognition of Topsports. The cumulative number of enrolled members have increased significantly, and the percentage of contribution by members to total in-store retail sales (inclusive of VAT) remained at a high level.

In order to improve the recognition of Topsports' brand equity by members, we launched the first nation-wide annual membership event named "Member Festival Week" during the year. With a variety of events organized across settings to combine physical and virtual venues, we took various measures to reactivate inactive members and enhance the member stickiness with the help of targeted marketing campaigns, successfully creating the IP of "Topsports Membership Week".

As the major platform to offer our membership services and functions at full, we launched the TOPSPORTS app on 14 February 2020. The number of users has exceeded 2.7 million as at 28 February 2021. The app integrates content marketing, online purchase, membership activities and other functions all in one. In particular, the new function of social interactive community called "滔Ker" was launched in the second half of the financial year to create an online sports lifestyle community. Members could share tactics of their sneaker collection and associate with fellows, while also participate in various theme activities.

As at 28 February 2021, our cumulative number of enrolled members reached 40.9 million. During the quarter as of 28 February 2021, 95.3% of the total in-store retail sales (inclusive of VAT) was contributed by our members, continuously remained at a high level.

| | As at | | | |
|---|---|---|---|---|
| | 31 May 2020 | 31 August 2020 | 30 November 2020 | **28 February 2021** |
| Cumulative number of our enrolled members | 30.2 | 33.1 | 37.3 | **40.9** |
| Percentage of total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended | 96.7% | 97.3% | 97.1% | **95.3%** |

*Unit: Million*

**3. Deepen Our Digital Transformation to Empower Business with "Precision + Efficiency" in Long-term**

For Topsports, digitalization is our long-term battle for the future. Digital transformation is achieved by connecting and optimizing the business operation flows through data collection and analysis, including create structure in unstructured data, cultivating systems using existing data structures and enhance data-driven technology systems into more intelligent and sophisticated smart infrastructure, so as to form a closed-loop with efficiency. Looking back on the past year, we mainly applied digital transformation in the following three areas. We enhanced our turnover and operation efficiency by empowering business operations, further enriched our consumer engagement by empowering consumer experience across settings with attractive marketing content to enlarge our membership base and enhance user stickiness. In addition, we empowered consumer insights through refined and precise user labels to generate user profiles with advanced accuracy, which these results could further support our front-end business operations, enabling us to facilitate the needs of our broad consumer groups with precision and efficiency.

During the financial year ended 28 February 2021, benefited from the well-established digital capabilities, we were able to encounter the challenges during the Pandemic while capturing opportunities along with new breakthroughs. During the year, by emphasizing on the implementation of technology-enabled initiatives and making full use of accumulated broad-based data along with unrivalled industry know-how through decades-long history operation, we persistently optimized operation with precision and efficiency. As for the commodity management, our digitalized procurement and merchandise management systems assist in automatically creating base line purchase orders that are tailored to each store, the use of the technological tool which we have completed the application from principle brands to more brands during the financial year, as well as downstream retailers at scale; as for the store management, mobile digital toolkits empower our front-line staffs by applying integrated real-time data, store ranking, sales overview and store manager report, which could enable them to adjust operations and make decisions in real time. By the end of April 2021, mobile digital toolkits have been applied and utilized by nearly all directly-operated stores, serving more front-line staffs in a wider range with an aim to reduce their operational burden.

We continued to enrich consumer experiences and refine our consumer insights empowered by digital approaches, forming a closed-loop involved of consumer engagement and data analysis to enhance our member value. The outbreak of the Pandemic has led to a rapid shift in the major consumption settings of sportswear products. In response, the Company accelerated the flexible application of various digital tools based on our well-established store-based online social communities with continued iteration, these tools include store-level mini-programs and mobile payments. The newly launched function of Taomi (滔米) and flagship store of mini-programs further enabled us to engage with consumers through high-quality products and premium services in a wider scope, respond to their needs with speed and agility. We transformed the role of our sales staff from a shopping assistant to an expert of content topics by initiating more themed topics and content through the TOPSPORTS Official Wechat Account (滔搏公眾號) and TOPSPORTS app. Under the Pandemic, we also enhanced our connected inventory sharing function across settings, which further assisted stores in stock management with technological tools, so as to ensure product supply and reduce merchandising risks.

## OUTLOOK AND APPRECIATION

The magic essence of sports not only exists within the sport category itself, but also persists through consistent self-discipline, rigorous training and persistent endurance, both physically and physiological, simply for the next break-through. Looking ahead, Topsports will continue to forge ahead towards our goals with focus on the following growth measures, strategically respond to the changes in the industry and maintain continued confidence and perseverance.

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

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. We expect to continually create long-term value for our consumers, shareholders and all of our partners sustainably.

**YU Wu**
*Chief Executive Officer & Executive Director*

Hong Kong, 24 May 2021

## FINANCIAL REVIEW

For the year ended 28 February 2021, the Group recorded revenue of RMB36,009.0 million, an increase of 6.9% compared with that of the year ended 29 February 2020. The Group recorded operating profit of RMB3,989.4 million, an increase of 20.8% compared with that of the year ended 29 February 2020. The profit attributable to the Company's equity holders during the year amounted to RMB2,770.1 million, an increase of 20.3% compared with that of the year ended 29 February 2020.

For the year ended 28 February 2021, the Group recorded adjusted operating profit of RMB3,992.3 million, an increase of 17.8% compared with that of the year ended 29 February 2020. The adjusted operating profit is adjusted by adding back the effect of the amortization of intangible assets arising from business combination of RMB2.9 million (2020: RMB35.6 million) and listing expenses at RMB51.8 million for the year ended 29 February 2020.

For the year ended 28 February 2021, the Group recorded adjusted profit attributable to the Company's equity holders of RMB2,772.3 million, an increase of 16.4% compared with that of the year ended 29 February 2020. The adjusted profit attributable to the Company's equity holders is adjusted by adding back the effect of the amortization of intangible assets arising from business combination, net of deferred tax at RMB2.2 million (2020: RMB26.7 million) and listing expenses at RMB51.8 million for the year ended 29 February 2020.

## REVENUE

The Group's revenue increased by 6.9%, from RMB33,690.2 million for the year ended 29 February 2020 to RMB36,009.0 million for the year ended 28 February 2021. 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 | | | | |
|---|---|---|---|---|---|
| | **28 February 2021** | | 29 February 2020 | | Growth/ (Decline) |
| | **Revenue** | **% of total** | Revenue | % of total | rate |
| Principal brands* | **31,421.2** | **87.3%** | 29,489.5 | 87.5% | 6.6% |
| Other brands* | **4,266.1** | **11.8%** | 3,904.0 | 11.6% | 9.3% |
| Concessionaire fee income | **240.2** | **0.7%** | 266.3 | 0.8% | (9.8%) |
| e-Sports income | **81.5** | **0.2%** | 30.4 | 0.1% | 168.1% |
| Total | **36,009.0** | **100.0%** | 33,690.2 | 100.0% | 6.9% |

*Unit: RMB million*

* Principal brands include Nike and Adidas. Other brands include PUMA, Converse, VF Corporation's brands (namely Vans, The North Face and Timberland), 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 | | | | |
|---|---|---|---|---|---|
| | **28 February 2021** | | 29 February 2020 | | Growth/ (Decline) |
| | **Revenue** | **% of total** | Revenue | % of total | rate |
| Retail operations | **30,733.3** | **85.3%** | 29,171.0 | 86.6% | 5.4% |
| Wholesales operations | **4,954.0** | **13.8%** | 4,222.5 | 12.5% | 17.3% |
| Concessionaire fee income | **240.2** | **0.7%** | 266.3 | 0.8% | (9.8%) |
| e-Sports income | **81.5** | **0.2%** | 30.4 | 0.1% | 168.1% |
| Total | **36,009.0** | **100.0%** | 33,690.2 | 100.0% | 6.9% |

*Unit: RMB million*

## PROFITABILITY

The Group's operating profit increased by 20.8% to RMB3,989.4 million for the year ended 28 February 2021. The profit attributable to the Company's equity holders increased by 20.3% to RMB2,770.1 million for the year ended 28 February 2021.

| | Year ended | | |
|---|---|---|---|
| | **28 February 2021** | 29 February 2020 | Growth rate |
| Revenue | **36,009.0** | 33,690.2 | 6.9% |
| Cost of sales | **(21,327.9)** | (19,502.7) | 9.4% |
| Gross Profit | **14,681.1** | 14,187.5 | 3.5% |
| Gross profit margin | **40.8%** | 42.1% | |

*Unit: RMB million*

Cost of sales increased by 9.4% from RMB19,502.7 million for the year ended 29 February 2020 to RMB21,327.9 million for the year ended 28 February 2021. Gross profit of the Group increased by 3.5% to RMB14,681.1 million for the year ended 28 February 2021 from RMB14,187.5 million for the year ended 29 February 2020.

During the year, the gross profit margin of the Group was 40.8%, decreased by 1.3 percentage points, from 42.1% for the year ended 29 February 2020. Decrease in gross profit margin primarily resulted in more discount offers providing to the customers.

Selling and distribution expenses for the year ended 28 February 2021 were RMB9,655.3 million (2020: RMB9,643.8 million), accounting for 26.8% of the Group's revenue (2020: 28.6%). The selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Comparing to the growth of sales, slightly increase in selling and distribution expenses primarily due to (i) further enhancement of the store performance; (ii) the rent concessions and the government policy of provisional reduction and exemption of social insurance premium as the impact of the Pandemic, partly offset by growth in the gross selling area of the directly-operated stores resulting in an increase in concessionaire and lease expenses, property management fees and other store operation expenses.

General and administrative expenses for the year ended 28 February 2021 were RMB1,242.8 million (2020: RMB1,412.8 million), accounting for 3.5% of the Group's revenue (2020: 4.2%). The general and administrative expenses primarily include lease expenses in relation to office premises, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Decrease in general and administrative expenses primarily due to (i) the absence of last year listing expenses while such expenses of RMB51.8 million recorded for the year ended 29 February 2020; (ii) the amortization of the intangible assets arising from business combination was RMB2.9 million while such expense of RMB35.6 million recorded for the year ended 29 February 2020; (iii) decrease in travelling and other expenses.

Finance income increased from RMB55.3 million for the year ended 29 February 2020 to RMB140.7 million for the year ended 28 February 2021, as the average balance of bank deposits and weighted average interest rate for the year ended 28 February 2021 higher than last year.

Finance costs slightly increased from RMB272.1 million for the year ended 29 February 2020 to RMB279.3 million for the year ended 28 February 2021, primarily as a result of an increase in interest expense on lease liabilities, as the Group's opened new stores under lease agreements resulted in higher lease liabilities, partly offset by less interest expenses of short-term borrowings incurred, as the average balance of short-term borrowings and weighted average interest rate for the year ended 28 February 2021 lower than last year.

Income tax expense for the year ended 28 February 2021 amounted to RMB1,080.7 million (2020: RMB782.7 million). The effective income tax rate increased by 2.7 percentage points to 28.1% for the year ended 28 February 2021 from 25.4% for the year ended 29 February 2020, primarily due to withholding tax provided on the profits retained by the Company's subsidiaries in the People's Republic of China (the "PRC"). The statutory income tax rate for the Group in Mainland China is generally 25%.

## OTHER INCOME

Other income for the year ended 28 February 2021 amounted to RMB232.0 million (2020: RMB191.1 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 28 February 2021, the total capital expenditure was RMB588.3 million (2020: RMB781.5 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, and it allows investors to consider metrics used by the management in evaluating the performance. Investors should not consider the non-IFRS financial measure a substitute for or superior to the IFRS results.

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 | |
|---|---|---|
| | **28 February 2021** | 29 February 2020 |
| Operating profit | **3,989.4** | 3,302.9 |
| Adding back: | | |
| Amortization of intangible assets arising from business combination (1) | **2.9** | 35.6 |
| Listing expenses (2) | **–** | 51.8 |
| **Non-IFRS Measure – Adjusted operating profit** | **3,992.3** | 3,390.3 |
| Profit attributable to the Company's equity holders | **2,770.1** | 2,303.4 |
| Adding back: | | |
| Amortization of intangible assets arising from business combination, net of deferred tax (1) | **2.2** | 26.7 |
| Listing expenses (2) | **–** | 51.8 |
| **Non-IFRS Measure – Adjusted profit attributable to the Company's equity holders** | **2,772.3** | 2,381.9 |

*Unit: RMB million*

| | | |
|---|---|---|
| Non-IFRS Measure – Adjusted operating profit margin | **11.1%** | 10.1% |
| Non-IFRS Measure – Adjusted profit margin attributable to the Company's equity holders | **7.7%** | 7.1% |

Notes:

(1) 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 were fully amortized in March 2020.

(2) The Company did not incur any listing expenses for the year ended 28 February 2021 which were recognized as expenses (2020: RMB51.8 million).

## BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 28 February 2021 increased by 9.3% to RMB44.67 cents from RMB40.88 cents for the year ended 29 February 2020.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,770.1 million for the year ended 28 February 2021 (2020: RMB2,303.4 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2020: 5,634,470,570 shares). The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 29 February 2020 has been retrospectively adjusted for the effect of the Capitalization Issue. 930,184,000 new shares issued pursuant to the Global Offering of the Company was only accounted for in the calculation of the basic and diluted earnings per share from 10 October 2019.

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

| | | Year ended | |
|---|---|---|---|
| | | **28 February 2021** | 29 February 2020 |
| Profit attributable to the Company's equity holders | RMB million | **2,770.1** | 2,303.4 |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | thousand of shares | **6,201,222** | 5,634,471 |
| As if 930,184,000 new shares have been issued throughout the year | thousand of shares | **–** | 566,751 |
| | thousand of shares | **6,201,222** | 6,201,222 |
| Adjusted basic and diluted earnings per share, for illustrative purpose | RMB cents | **44.67** | 37.14 |

## LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations decreased by RMB1,320.1 million to RMB5,655.5 million for the year ended 28 February 2021 from RMB6,975.6 million for the year ended 29 February 2020.

Net cash generated from investing activities for the year ended 28 February 2021 was RMB2,097.7 million (2020: net cash used in RMB4,296.8 million). During the year, the Group invested RMB643.1 million on payments for purchases of property, plant and equipment and intangible assets, RMB0.5 million on payments for acquisition of a business and net placement of long-term pledged bank deposits and other bank deposits of RMB1,000.0 million, partly offset by proceeds from disposals of property, plant and equipment of RMB5.9 million, withdrawal of pledged term deposits under the cross-border cash pooling arrangement of RMB3,594.7 million and interest received of RMB140.7 million.

During the year, net cash used in financing activities was RMB8,398.3 million (2020: net cash generated from RMB275.8 million), mainly attributable to the repayments of bank borrowings of RMB1,325.9 million, net repayment of drawing as borrowings under the cross-border cash pooling arrangement of RMB1,000.0 million, payments of dividends of RMB1,635.3 million to then equity holders of the Group, payments of the 2019/20 final dividend of RMB434.1 million, payments of the 2020/21 interim dividend of RMB744.1 million and the 2020/21 special dividend of RMB2,480.5 million, and payments for lease liabilities (including interest) of RMB1,960.1 million by the Group during the year, partly offset by proceeds from bank borrowings of RMB1,263.1 million.

As at 28 February 2021, the Group held bank balances and cash totaling RMB1,228.8 million, after netting off the short-term borrowings of RMB1,337.2 million, it was in a net debt position of RMB108.4 million. As at 29 February 2020, the Group held bank balances and cash totaling RMB2,823.9 million, after netting off the short-term borrowings of RMB2,400.0 million, it was in a net cash position of RMB423.9 million.

## GEARING RATIO

As at 28 February 2021, the gearing ratio (net debt (short-term borrowings less bank deposits, balances and cash) divided by total capital (total equity plus net debt)) of the Group has a net cash position (2020: net cash position) and the aggregate balances of long-term pledged bank deposits, pledged term deposits and bank balances and cash exceeded the total balance of borrowings by RMB891.6 million (2020: RMB4,018.6 million).

## PLEDGE OF ASSETS

As at 28 February 2021, except for the long-term pledged bank deposits of RMB1,000.0 million, no assets were pledged as security for banking facilities available to the Group.

## CONTINGENT LIABILITIES

As at 28 February 2021, 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 28 February 2021.

## FURTHER PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Saved as disclosed in this report, the Group did not have any plans for material investments and capital assets as at 28 February 2021.

## MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 28 February 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## HUMAN RESOURCES

As at 28 February 2021, the Group had a total of 40,348 employees (2020: 35,773 employees). For the year ended 28 February 2021, total staff cost was RMB3,172.9 million (2020: RMB3,310.5 million), accounting for 8.8% (2020: 9.8%) 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 28 February 2021 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 28 February 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings and trading of sportswear products. 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 28 February 2021 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 70 to 133.

The Board declared on 27 October 2020 an interim dividend for the year ended 28 February 2021 of RMB12.00 cents or equivalent to HK$13.73 cents per ordinary share, totaling RMB744.1 million and a special dividend for the year ended 28 February 2021 of RMB40.00 cents or equivalent to HK$45.78 cents per ordinary share, totaling RMB2,480.5 million. The interim dividend and special dividend were paid on 24 December 2020.

The Board recommended the payment of a final dividend for the year ended 28 February 2021 of RMB12.00 cents or equivalent to HK$14.33 cents per ordinary share (totaling RMB744.1 million).

## ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") will be held on Tuesday, 20 July 2021. The notice of the AGM will be sent to shareholders on Thursday, 17 June 2021.

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 Thursday, 15 July 2021 to Monday, 19 July 2021 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 Wednesday, 14 July 2021.

(b) The final dividend will be payable on or about Tuesday, 17 August 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 30 July 2021. For the purpose of ascertaining shareholder's eligibility for the final dividend, the register of members of the Company will be closed from Wednesday, 28 July 2021 to Friday, 30 July 2021, 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 Tuesday, 27 July 2021.

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 134 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 28 February 2021. 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 28 February 2021, distributable reserves of the Company amounted to RMB21,238.4 million (2020: RMB26,199.0 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 28 February 2021 amounted to RMB0.3 million (2020: RMB0.9 million).

## PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of RMB571.5 million (2020: RMB766.3 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 28 February 2021 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 6.2% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 90.4% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 49.4% 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 (the "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 Directors

Mr. YU Wu *(Chief Executive Officer)*
Mr. LEUNG Kam Kwan (appointed with effect from 27 October 2020)

### Non-executive Directors

Mr. SHENG Fang
Mr. CHOW Kyan Mervyn (resigned with effect from 27 October 2020)
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. LEUNG Kam Kwan will retire from office at the AGM and, being eligible, offer himself 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. SHENG Fang, Ms. YUNG Josephine Yuen Ching and Mr. HUA Bin will retire from office at the AGM and, being eligible, offer themselves for re-election.

## CHANGE IN DIRECTORS' INFORMATION

There has been no change to the information of the Directors subsequent to the publication of the 2020/21 interim report of the Company that is subject to disclosure under Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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

Each of the Executive Director has entered into a service contract with the Company under which they agreed to act as Executive Director for an initial term of three years since 10 October 2019 (for Mr. YU Wu) (the "Listing Date") and 27 October 2020 (for Mr. LEUNG Kam Kwan) respectively, which may be terminated by not less than three months' notice in writing served by either the Executive Directors or the Company. The appointment of the Executive Directors 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 for the year ended 28 February 2021.

Particulars of Directors' interest in transactions, arrangements or contracts of the Group as at 28 February 2021 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 at 28 February 2021, 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 were 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 were required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which were required to be notified to the Company and the Stock Exchange, under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

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 at 28 February 2021, 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) |
|---|---|---|---|
| HHBH Investment, L.P. (2) | Interest in controlled corporation | 2,163,605,107 | 34.89% |
| Hillhouse Capital Management, Ltd (2) | Interest in controlled corporation | 2,163,605,107 | 34.89% |
| Hillhouse HHBH Holdings Limited (2) | Beneficial Owner | 2,163,605,107 | 34.89% |
| Hillhouse HHBH Limited (2) | Interest in controlled corporation | 2,163,605,107 | 34.89% |
| Wisdom Man Ventures Limited | Beneficial Owner | 1,254,616,510 | 20.23% |
| Credit Suisse Trust Limited ("CTS") (3) | Trustee | 873,059,227 | 14.06% |

Notes:

(1) As at 28 February 2021, the total number of issued shares of the Company was 6,201,222,024.

(2) 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.

(3) According to the corporate substantial shareholder notice filed by CTS, CTS is the trustee of the Generous Trust, the Trade Vantage Trust, the State Win Trust, the Sulla Trust, the Supreme Talent Trust, the Speedy Global Trust, the Sea Wisdom Trust, the Sky Beauty Trust and the Keen Source Trust. Accordingly, CTS was deemed to be interested in an aggregate of 873,059,227 shares in its capacity as the trustee of these shares.

Save as disclosed herein, as at 28 February 2021, 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 transactions which constitute continuing connected transactions not exempted under Chapter 14A of the Listing Rules are disclosed below.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the financial year, 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's 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's 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's 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 shall be effective from the Listing Date until 28 February 2022.

The annual cap for the E-commerce Services Fee payable by the Group under the E-commerce Services Framework Agreement for the year ended 28 February 2021 was RMB227.0 million.

The total amount incurred by the Group under the E-commerce Services Framework Agreement for the year ended 28 February 2021 was approximately RMB115.9 million.

Belle International is an associate of Hillhouse HHBH Holdings Limited and Wisdom Man Ventures Limited 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) fifteen properties located in seven cities in the PRC and one property located in Hong Kong with an aggregate gross area of over 25,370 square meters as office, commercial premises or car parks; and (b) one storage facility 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 28 February 2021. 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 the Group under the Property Leasing Framework Agreement for the year ended 28 February 2021 was RMB36.4 million.

The total amount incurred by the Group under the Property Leasing Framework Agreement for the year ended 28 February 2021 was approximately RMB30.6 million.

Belle International is an associate of Hillhouse HHBH Holdings Limited and Wisdom Man Ventures Limited 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 the Group under the Logistics Services Framework Agreement for the year ended 28 February 2021 was RMB543.0 million.

The total amount incurred by the Group under the Logistics Services Framework Agreement for the year ended 28 February 2021 was approximately RMB368.6 million.

Li Xun is wholly-owned by Belle International which is an associate of Hillhouse HHBH Holdings Limited and Wisdom Man Ventures Limited 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 auditor

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 auditor has, 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

During the year 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.

The following table sets forth a summary of the utilization of the net proceeds from Company's initial public offering as at 28 February 2021:

| Intended use of Net Proceeds as stated in the Prospectus | Net Proceeds HK$ million | Utilized amount HK$ million | Unutilized amount HK$ million |
|---|---|---|---|
| Investing in technology initiatives to accelerate the digital transformation of the business | 800.0 | 483.5 | 316.5 [1] |
| Repaying outstanding amounts due to Belle International and fellow subsidiaries | 3,717.4 | 3,717.4 | – |
| Repaying short-term bank borrowings | 2,210.5 | 2,210.5 | – |
| Working capital and other general corporate purposes | 538.2 | 538.2 | – |
| Settlement of dividend payable | 422.9 | 422.9 | – |
| Total | 7,689.0 | 7,372.5 | 316.5 |

Note:

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

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during the year and up to the date of this 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 64 of this report.

## SUBSEQUENT EVENT

Saved as disclosed above, there are no other significant events subsequent to 28 February 2021 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 28 February 2021 have been audited by PricewaterhouseCoopers, who 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, 24 May 2021

## EXECUTIVE DIRECTORS

**Mr. YU Wu (于武)** ("Mr. Yu"), aged 54, is an Executive Director and a Chief Executive Officer of the Company. Mr. Yu joined the Group in June 2006 and was appointed as a director of the Company in September 2018. On 20 June 2019, he was re-designated as an Executive Director and Chief Executive Officer of the Company. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee. Mr. Yu holds directorships in certain subsidiaries of the Group.

Mr. Yu has more than 27 years of experience in footwear and sportswear businesses. He is primarily responsible for the overall strategic planning and overseeing business operation of the Group. Mr. Yu graduated from the Shandong Jianzhu University (山東建築大學) (formerly Shandong Institute of Architectural Engineering (山東建築工程學院)) in June 1989 with a bachelor's degree of engineering in civil engineering. In July 2015, he was appointed as a director of Belle International Holdings Limited ("Belle International").

**Mr. LEUNG Kam Kwan (梁錦坤)** ("Mr. Leung"), aged 57, is an Executive Director and the Company Secretary of the Company. Mr. Leung joined the Group in June 2006. Mr. Leung was appointed as a company secretary in May 2019 and also was appointed as an Executive Director on 27 October 2020. Mr. Leung holds directorships in certain subsidiaries of the Group.

Mr. Leung has more than 26 years of experience in accounting, financial management and internal control. Mr. Leung is primarily responsible for financial management; planning and supervising the financing activities of the Group; and implementation of decisions and policies in regard to the Group's overall business plan as approved by the board of directors of the Company and the Chief Executive Officer, and managing the trading business in Hong Kong. In June 2006, he has served as the company secretary of Belle International. Prior to joining the 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 the City University of Hong Kong in November 1993. He is a fellow member of both The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Leung is also an associate member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

## NON-EXECUTIVE DIRECTORS

**Mr. SHENG Baijiao (盛百椒)** ("Mr. Sheng"), aged 69, joined the Group since June 2006 and was appointed as a Non-executive Director of the Company on 20 June 2019. He was also be appointed as 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 advices on business development of the Group and participating in significant business decision of the Group. Mr. Sheng was appointed as a director of Belle International and being responsible for major strategic planning and managing the retail sales business in footwear segment. He is an uncle of Mr. Sheng Fang, another Non-executive Director of the Company.

**Mr. SHENG Fang (盛放)** ("Mr. Sheng Fang"), aged 48, joined the Group in June 2006 and was appointed as a Non-executive Director of the Company on 20 June 2019.

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

**Ms. YUNG Josephine Yuen Ching (翁婉菁)** ("Ms. Yung"), aged 37, 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 50, 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 She is currently a managing director of CDH Investments Management (Xiamen) Limited. Ms. Hu is currently a director of Belle International Holdings Limited (a company delisted on the Stock Exchange since July 28, 2017, stock code: 1880), and a non-executive director of Dali Foods Group Company Limited (a company listed on the Hong Kong Stock Exchange since November 2015, stock code: 3799), Baroque Japan Limited (a company listed on the Tokyo Stock Exchange, stock code: 35480). Ms. Hu is also a director of Hangzhou Beika Industrial Co., Limited. In addition, Ms. Hu had also been a director of Anhui Yingliu Electromechanical Co., Limited (a company listed on the Shanghai Stock Exchange, stock code: 603308) from March 2011 to April 2017, a director of Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000333) from August 2012 to July 2017; and a director of Beijing Motie Book Corporation Company from July 2010 to December 2017. Prior to joining CDH Investments, Ms. Hu once worked at the direct investment department of China International Capital Corporation Limited and Arthur Andersen. Ms. Hu graduated from Beijing Jiaotong University (formerly Northern Jiaotong University), with a master degree in Economics and Accounting and a bachelor degree in Economics. Ms. Hu is also a fellow member of the Association of Chartered Certified Accountants.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LAM Yiu Kin (林耀堅)** ("Mr. Lam"), aged 66, 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 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 and listed on Star Market of Shanghai Stock Exchange in June 2020, stock code: 688505) since October 2013; 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 has been an Independent Non-Executive Director of each of Vital Innovations Holdings Limited (stock code: 6133, formerly Vital Mobile Holdings Limited) and Mason Group Holdings Limited (stock code: 0273, formerly Mason Financial Holdings Limited) from September 2014 to October 2020 and from August 2015 to May 2017 respectively.

**Mr. HUA Bin (華彬)** ("Mr. Hua"), aged 49, 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 50, 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 New Times Energy Corporation Limited (stock code: 166) and Cosco Shipping Energy Transportation Co., Limited (stock code: 1138) since June 2020; Scholar Education Group (stock code: 1769) since June 2019; ManpowerGroup Greater China Limited (stock code: 2180) since March 2019; 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. He has been an Independent Non-Executive Director of each of Trinity Limited (stock code: 891) and China Bright Culture Group (stock code: 1859) from December 2018 to December 2020 and from March 2020 to November 2020 respectively.

## SENIOR MANAGEMENT

**Mr. TIAN Zhong (田忠)** ("Mr. Tian"), aged 50, 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) (currently 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 sportswear 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 Beijing Physical Education Normal College (北京體育師範學院)(formerly Capital University of Physical Education and Sports(首都體育學院)) 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 48, 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 of the Group.

Mr. Zhang has more than 25 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 sportswear 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 48, 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 in 1999. In June 2006, Mr. Chai joined the sportswear business division of Belle International which now forms part of the Group and was promoted as the deputy general manager in September 2007.

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.

## CODE PROVISION A.5.1 and A.6.7

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 an 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.

Under the code provision A.6.7 of the CG Code, non-executive director should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Mr. SHENG Baijiao was unable to attend the annual general meeting of the Company (the "AGM") held on 20 July 2020 due to other personal commitments.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the CG Code during the year ended 28 February 2021, save for code provision A.5.1 and A.6.7 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.

## 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 28 February 2021, the Board comprised two Executive Directors, four 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 Directors** | | | |
| Mr. YU Wu *(Chief Executive Officer)* | N/A | ✓ | ✓ |
| Mr. LEUNG Kam Kwan | N/A | N/A | N/A |
| **Non-executive Directors** | | | |
| Mr. SHENG Baijiao *(Chairman)* | N/A | N/A | N/A |
| Mr. SHENG Fang | 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 28 February 2021, 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)* | 6/6 | N/A | 3/3 | 3/3 |
| Mr. LEUNG Kam Kwan# (appointed with effect from 27 October 2020) | 1/1 | N/A | N/A | N/A |
| Mr. SHENG Baijiao^ *(Chairman)* | 6/6 | N/A | N/A | N/A |
| Mr. SHENG Fang^ | 6/6 | N/A | N/A | N/A |
| Mr. CHOW Kyan Mervyn (resigned with effect from 27 October 2020) | 5/5 | N/A | N/A | N/A |
| Ms. YUNG Josephine Yuen Ching^ | 5/6 | N/A | N/A | N/A |
| Ms. HU Xiaoling^ | 5/6 | N/A | N/A | N/A |
| Mr. LAM Yiu Kin@ | 5/6 | 3/3 | 3/3 | 3/3 |
| Mr. HUA Bin@ | 5/6 | 3/3 | 3/3 | N/A |
| Mr. HUANG Victor@ | 5/6 | 3/3 | N/A | 3/3 |

\# Executive Director
^ 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.

For the year ended 28 February 2021, the Board convened a total of six Board meetings based on the needs of the operation and business development of the Group. 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), 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 28 February 2021, 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. LEUNG Kam Kwan will retire from office at the AGM and, being eligible, offer himself 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. SHENG Fang, Ms. YUNG Josephine Yuen Ching and Mr. HUA Bin will retire from office at the AGM and, being eligible, offer themselves 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 three times during the year ended 28 February 2021. All members of the Audit Committee attended the meetings. Going forward, the Audit Committee will continue to 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 28 February 2021 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 28 February 2021 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 met three times during the year ended 28 February 2021. All members of the Remuneration Committee attended the meetings. Going forward, the Remuneration Committee will continue to 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 the 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 Nomination Committee is Mr. YU Wu.

The Nomination Committee met three times during the year ended 28 February 2021. All members of the Nomination Committee attended the meetings. Going forward, the Nomination Committee will continue to 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.

## 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 28 February 2021, 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 65 and 69.

## 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 29 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 28 February 2021 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 strategic 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 systems, where management is responsible for the design and implementation of the risk management and internal control systems to manage risk. Such systems are designed to manage rather than eliminate risk of failure to achieve 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 and accounting, human resources, regulatory and 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 approved by the Audit Committee 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 28 February 2021, 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 2020 to 28 February 2021 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 28 February 2021, 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 out 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 28 February 2021 were RMB5.2 million and RMB0.4 million, respectively.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 28 February 2021.

## 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

During the year ended 28 February 2021, there was no material change in the Articles of Association of the Company.

## 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 47 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 M1, 6/F, The Edge, 30-34 Kwai Wing Road, Kwai Chung, New Territories, 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 performance of the Group's sportswear retail business in fulfilling its environmental and social responsibilities during the period from 1 March 2020 to 28 February 2021.

### 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 "materiality", "quantitative", "balance" and "consistency" principles as disclosure basis, the Group carries out materiality assessment of environmental, social and governance ("ESG") issues, identifies applicable ESG key performance indicators ("KPIs"), 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.

| Principles | | The Group's response |
|---|---|---|
| **Materiality** | The report should cover areas that reflect the organization's significant economic, environmental and social impact, or that materially affect stakeholders' assessments and decisions. | Based on the Group's development strategy, industry and business conditions, and communication with the stakeholders, the Group identifies the current important issues. |
| **Quantitative** | KPIs on relevant historical data in the report need to be measurable to evaluate and validate the effectiveness. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate. | For the year's KPI, detailed quantitative and narrative disclosure are provided in facilitating the stakeholders to have thorough understanding on the Group's overall performance. |
| **Balance** | The reporting information should reflect the positive and negative aspects of the performance of the reporting entity, so as to make a reasonable evaluation on the overall performance. | For sake of fair analysis and comparison, the report elaborates the achievements made and challenges faced by the Group in details with relevant information quantitatively. |
| **Consistency** | Consistent methodologies should be used in the report for information disclosure so that stakeholders can analyze and evaluate the performance of the entity over time. The entity should explain any changes to the methods used. | The Group will ensure the scope of disclosure and reporting methods used in the report are generally consistent every year. |

## 2. ESG Management

The Group has always adhered to the mission of "breaking boundaries through sports and inspire limitless possibilities", and together with many quality sports brand partners and other participants in the sportswear industry, provided consumers with first-class products and services through technology to create a healthy and happy sports life experience for customer. The Group is well aware of the importance of strengthening ESG management to the sustainable development of the Group, and actively integrate the concept of sustainable development into daily business and decision-making. The Group continuously advance the internal management in the following six areas to promote the stable operation of our business.

**ESG Management**

| Services: | Employees: | Supplier: | Anti-fraud: | Environmental Protection: | Society: |
|---|---|---|---|---|---|
| Quality ensuring and workflow standardization | Coaching on career develop-ment and human-based management implementation | Win-win cooperation and stress on communication | Strict compli-ance for honest and clean environment | Save and reuse resources in an efficient way | Devote to public welfare and assume civic responsibilities |

### 2.1 ESG Management Structure

As the highest decision-making authority of ESG, the Board takes the lead to oversee ESG issues and is responsible for formulating ESG policies, strategies and goals, assessing ESG risks and opportunities, supervising ESG and internal control management, and deliberating and approving ESG report. Senior management of the Group is responsible for ESG daily management, ESG working group's constitution with relevant functional departments, action plans formation in according to ESG strategies and goals, action plans' progress and performance periodically review. And phases reporting ensure the Board fully assess the progress of the ESG work on a timely manner.

**The Board**

Leading and advancing ESG work ↓ Reporting ↑

**ESG working group**

- Employment management
- Health and safety
- Development and training
- Labor standards
- Supply chain management
- Product responsibility
- Anti-corruption
- Community investment
- Office environmental management
- Store environmental management

### 2.2 Stakeholders Communication

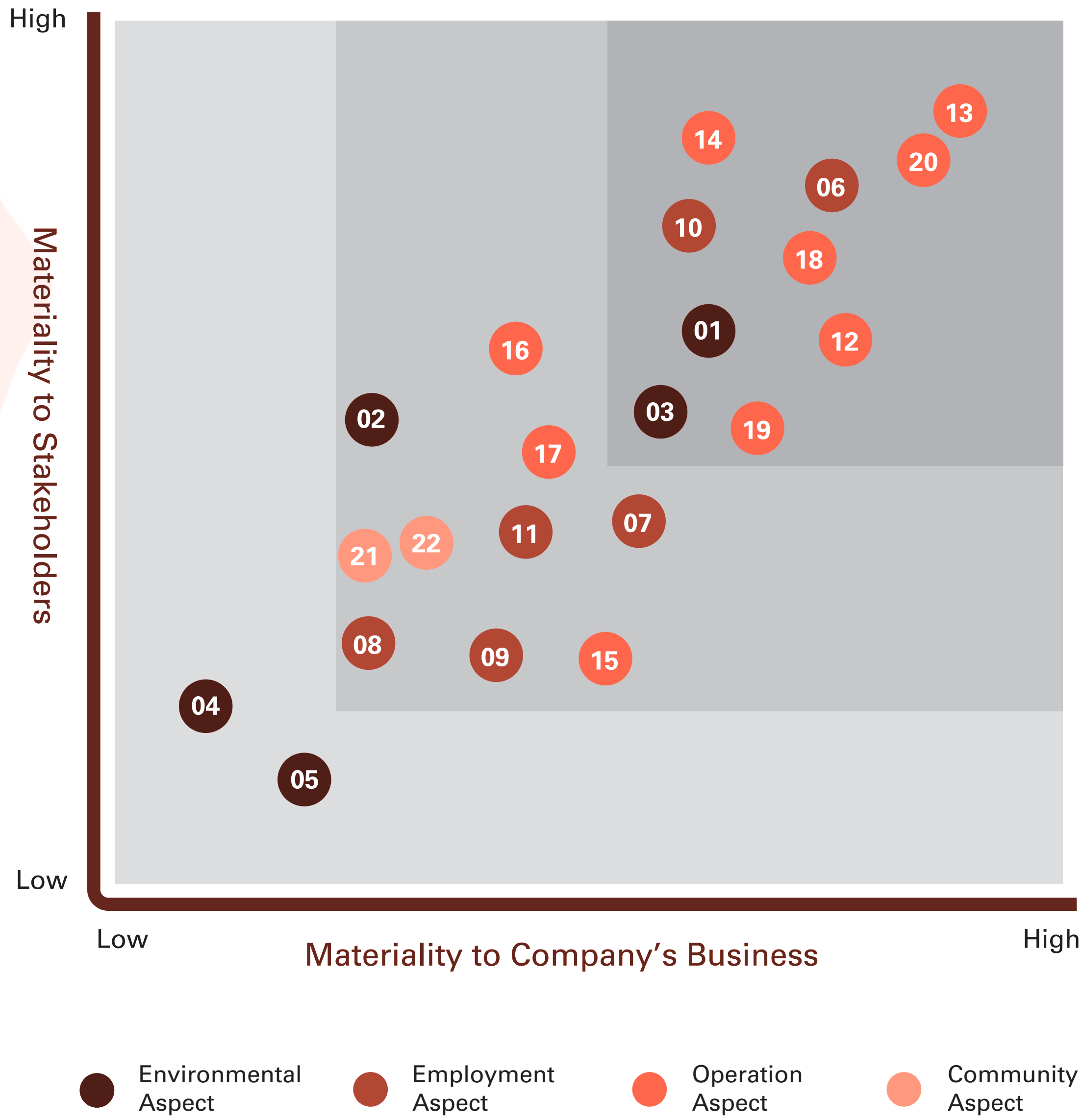
The Group attaches great importance to communicate with stakeholders, and actively builds a communication platform with all stakeholders. By understanding the expectations and demands of stakeholders, the Group carefully examines its work on environmental and social aspects, and seeks to pursue the sustainable development of economy, society and environment of the enterprise.

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

### 2.3 Materiality assessment

In order to better understand the needs of stakeholders, the Group engages the third party consultants to help review and shortlist the ESG issues, comprehensively assess the materiality ranking of ESG issues for the year through industry analysis and communicating with stakeholders and draw a materiality matrix to help the Group carry out ESG management work specifically.

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



### Environmental

01 Usage of packaging materials
02 Waste management
03 Green operation in stores
04 Fighting climate change
05 Improving water efficiency

### Employment

06 Talent recruitment and team building
07 Employee remuneration and benefits
08 Equal participation and diversity
09 Occupational health and safety
10 Staff training and development
11 Employee rights and interests protection

### Operation

12 Procurement management
13 Product quality and health
14 Compliance marketing
15 Intellectual property protection
16 Environment and social risk management of supply chain
17 Compliance and steady operation
18 Customer information security
19 Anti-corruption and integrity operation
20 Customer service and satisfaction

### Community

21 Social charity
22 Promote national health

Based on the results of the materiality assessment, the Group will formulate ESG goals and plans for the next year to continuously improve the Group's ESG management standard and further commitment of the Group to ESG responsibilities.

## 3. Our Services

In order to ensure the product quality and service standard, the Group has strictly complied with the laws and regulations including 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》), formulated a series of policies to regulate the management of goods and services, and clarified the duties and responsibilities, so as to provide customers with high-quality products and excellent services. During the year, the Group did not involve in any material violations of laws and regulations related to product liability.

### 3.1 Product Quality Management and Control

The Group is committed to providing consumers with high-quality and safe products and services, paying attention to the procurement and the sales service process to ensure the product safety. In the spirit of being responsible for the products at any time, the Group has formulated and strictly implemented the standards for sampling inspections, clarified the product quality management responsibilities of each functional department. It has continuously enhanced employees' awareness through systematic training, strictly controlled product quality in all aspects, and insisted on providing customers with safe and healthy products to improve the level of customer satisfaction.

Meanwhile, the Group has been focused on the protection of consumers' rights and interests, and formulated product quality assurance policies and standardized procedures available for the public. Consumers are accessible to provide feedback on products and service experiences through multiple channels, which can be properly handled. The Group has also established a sound problem product handling mechanism and complied with brand companies' relevant regulations. By means of quick respond and continuous follow up, consumers' health and safety are comprehensively protected.

### 3.2 Excellent Services

The Group attaches great importance to the in-stores and customer services. The Group formulated service standard for pre-sales, after-sales, customer consultation and complaints handling etc., and defined the service specifications for sales personnel and customer service personnel. The service of sales personnel is closely monitor by various ways, such as "member satisfaction" evaluation system and random mysterious visit etc. By care of customer needs and enhancement of frontline services standard, aiming to create an excellent service experience for the customers.

### 3.3 Store Service Management

The Group has established a member satisfaction survey mechanism, and uses the notification system to remind the customers to complete consumption evaluation to promote communication and interaction between the Group and consumers. Customers can evaluate the in-store services, environment and other factors based on their own shopping experience. Aiming to advance the service standard with customers' feedback, the Group will track the service evaluation data and directionally approach the customers.

In order to help improve the quality of in-store services, the Group has established a nationwide random mysterious visit and verification mechanism for stores, focusing on four aspects of store environment, employee image, service workflow and service satisfaction, concerning the sanitation and service experience of the store as a whole brought to the customers.

In addition, the Group regularly organizes service trainings for store sales personnel, with topics including retail mathematics, service management, manpower deployment, aiming to strengthen the service awareness and comprehensive quality of store sales personnel for whom to further understand customer needs and provide excellent services.

### 3.4 Customer Service Management

The Group has been focusing on the quality of customer service, and has formulated a comprehensive service management mechanism and assessment indicators. It defines the duties and responsibilities according to the service workflow, and evaluates the customer service from multiple perspectives to reduce the risk of degraded services, improve the introduction of product features and order processing capabilities, ensure quick response and accurate handle of after-sales issues, thereby improving customer satisfaction.

### 3.5 Customers Privacy Protection

The Group strictly protects the privacy and information security of its customers and has formulated and signed the Customers Privacy Protection Agreement with customer service personnel. The Group keeps enhancing the staff's awareness of privacy protection through regular training and assessment in relative to network information security, so as to protect customer information and privacy.

To minimize the risk of information leakage and unauthorised alteration, the Group applied different techniques, such as data masking and OTP (One-time Password) to secure the safety of the information system. Through secured access control procedure such as ID authentication, system log, authorization policy and other means to effectively protect customer information security.

### 3.6 Selling with compliance

The Group has strictly complied with the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) (the "Advertising Law"), strengthened the staff's awareness of selling with compliance by providing in-house training regarding to the Advertising Law, usage of forbidden words and complaint cases handling.

The Group emphasises that advertising and marketing should be focus on the presentation of the products' functional features. A strict approval mechanism on advertising and marketing material and proposal for all channels is established. Sampling audits on content and pictures published or presented in all channels are carried out periodically.

## 4. Our Employees

The Group recognises that talent is a key driver for the enterprise development. The Group strictly 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, and has formulated and rigidly implemented human resources related management system and "Employee Handbook" related to employee management regulations, pays an attention on the development and health condition of employees. Formulation of an effective, comprehensive and humanized talent management provides a solid foundation for development and growth of enterprise. During the year, the Group did not identify any material violations of laws and regulations related to employment.

### 4.1 Recruitment and Assessment

During the year, the Group has been implementing its recruitment plan based on the core concepts of efficiency, quality and results-orientation and selects the most suitable talents, so as to lay a good foundation for future development. In terms of campus recruitment, the Group attracts young talents through network recruitment platforms. In terms of social recruitment, in addition to the traditional channels, the Group also develops various new social recruitment channels to create a multi-dimensional and interactive recruitment process. Meanwhile, the Group further updates its promotion system and vitalizes its internal resources to have an access to the quality talents and attract more new talents.

As a socially responsible enterprise, during the Pandemic, the Group quickly adjusted its recruitment direction and expanded its diversified recruitment channels which were mainly online, and launched cloud-based recruitment to attract talents, for the purpose of reducing the employment pressure on the society. During the recruitment process, the Group strictly adhered to the confidentiality of information and maintained the security of candidates' information as far as practicable.

The Group conducted performance appraisal and promotion management for its staff in a fair and open manner. During the year, the Group introduced the balanced score card tool, which is used to combine the target and key result performance to evaluate employees. Meanwhile, the Group made full use of system tools for dynamic management and risk prevention on strategy, organisational objectives and performance. In order to identify quality talents, improve talent management and standardise the promotion process, the Group further enhanced its promotion system during the year. The Group provided promotion arrangements for outstanding employees based on their overall performance, optimised the effective deployment of internal talents and encouraged employees to fully develop their personal potential.

### 4.2 Staff training

Adhering to the concept of "Business-oriented to Empower Business Development", the Group is committed to the comprehensive development of employees. The Group's training system consists of four main parts, including management and control model of training, training instruments, training course system, and training lecturer system. The Group further optimized the training system mainly from the following aspects for the year:

| | |
|---|---|
| Management and Control Model of Training | Released the policies on training-related matter and relevant guidelines on the use of the "Topsports Academy" platform. Standardised the formation and implementation of the Group's annual training plan, the evaluation on satisfaction of the training programs and the procedures and standard of training assessments. |
| Training Instruments | In the course of the COVID-19 Pandemic, the online training platform "Topsports Academy" was launched to fully empower the development of employees. For the financial year, the Group carried out 160 training programs, including 883 courses, via the online platform. |
| Training Course System | Designed the competent-mapping model for key positions and rewrite the prerequisites of different positions, by which laying a solid foundation for establishment of job-related training system and promotion system. |
| Training Lecturer System | Built a team of in-house trainers and gave full play to their extensive knowledge, offering diversified training content to the staff. Up to now, in-house training teams are established across the country, from headquarter to regional offices. |

**TOP Leader**

From June to August 2020, in order to enhance the management capabilities of the store managers and reserved talents, and to strengthen the store managers' awareness of being a "Leader", the Group has offered the "Roles and Responsibilities of the Store Manager", "Cultivation of Elites for Stores", "KPI of Retail in Stores " and other series of courses for employees. Through theoretical training, practical field coaching, and follow-up after class, facilitates the staff in transforming theoretical knowledge to real life skill, resulting in growth of sales.

Training Picture

HEY COACH

In order to identify, train, and reserve front-line sales and management talents, and to improve the competence of the succeed store managers, the Group has offered 9 elite courses for employees, such as "Target Management", "Basic Services", "After-sales and Customer Complaint Handling", etc. to equip employees with firmer knowledge system to serve in stores.

Training Picture

### 4.3 Staff Remuneration and Benefits

The Group vigorously advocates the development and construction of talents and is deeply aware that talent development is an important "soft power" for future business competition. The Group develops a talent performance evaluation system, formulates talent incentive policies, and organically ties employees' performance to the Group's economic benefits, so as to fully mobilize employees' initiatives and give full play to the incentive effect of compensation systems. The Group also values talent team building, continues to establish a forward-looking and planned talent training system, and pays attention to the talent team building and strengthens the development of employees' knowledge and skills, therefore improving organizational efficiency and optimization, and enhancing productivity of talents.

The Group establishes and strictly implements the relevant policies and regulations of employee recruitment, remuneration and benefits, performance appraisal, promotion, resignation and dismissal, implements a remuneration and benefits system with scientificity, standardization, fairness and transparency, and timely pays employees' wages and contribution to the statutory social insurances and housing fund in accordance with laws and regulations. In addition, the Group provides employees with a full range of care and benefits, protects their basic rights and interests, and creates a warm and comfortable working environment for them. We organize employees to participate various activities in their spare time, so as to convey the corporate culture and enhance cohesion among employees.

| | |
|---|---|
| **Statutory benefits:** | Uniformly register the social insurance and provident funds by the human resources department; provide employees with necessary holidays, such as paid annual leave, marriage leave, maternity leave, etc.; provide employees with office supplies and labor protection supplies according to the requirements of the laws; during the Pandemic, provide employees with surgical face masks, disinfectants, etc. |
| **Benefits of festivals:** | On employees' birthdays, the marketing department of the Group sends birthday blessings to employees; on traditional festivals such as the Spring Festival and Mid-Autumn Festival, the Group sends holiday gifts and blessings to employees. |
| **Daily allowances:** | The Group provides employees with travel subsidies to facilitate their work. |
| **Employee activities:** | The Group organizes diversified collective entertainment activities at appropriate time to enrich employees' lives; the Group pays attention to the health of employees and provides employees with benefits such as a gym with a good atmosphere. |

**Searching for Apples on Christmas Day**

On 25 December 2020, the Group held a Christmas celebration. The activity was launched in the form of finding items to exchange for gifts, which included searching for clues, hidden benefits and other surprise elements, to make employees feel the festive atmosphere during the activity.

Activities Picture

**Lucky Draw of Red Packets for the Spring Festival**

On 18 February 2021, in order to celebrate the Spring Festival and provide employees a different festival experience, the Group held an event of lucky draw of red packets under the theme of the God of Wealth sending red packets, during which employees drew red packets at random. Employees experienced the tension and expectations during the lucky draw, and in turn vigorously began with a new journey in the new financial year.


Picture of Lucky Draw of Red Packet

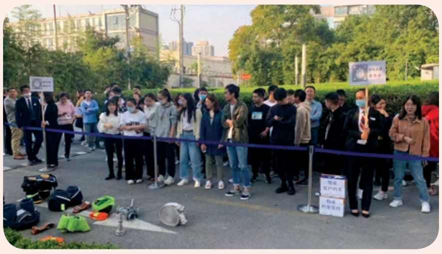
### 4.4 Occupational health and safety

The Group cares for the health of employees. During the Pandemic, the Group developed a health tracking system. Pursuant to national pandemic prevention requirements, the information of employees, such as daily body temperature, quarantine location, home quarantine status and status of work from home, were recorded for statistics. The Group strictly implemented the cleaning and disinfection in stores and office premises and comprehensively eliminated hidden dangers, thereby effectively protecting the health of employees.

During the year, the Group strictly managed the fire safety of offices and retail stores, and regularly checked the fire safety in accordance with the Group's relevant policies for fire safety management of office and store. Prompt follow-up measures have been taken when problems were found to ensure a healthy and safe working environment for employees.

**Fire drill**

In November 2020, the Group organized a fire drill. Such drill greatly enhanced the awareness of Group' employees in respect to fire safety, enabled employees to have emergency response capabilities and always pay attention to fire safety.



Fire drill site

### 4.5 Equal Participation and Communication

The Group strives to establishing an open, diversified and equal working environment, and eliminates any prejudice and discrimination due to age, gender, belief, family status, race and other reasons.

In order to actively promote communication with employees, the Group set up diversified communication methods to understand the needs of employees. In addition, the Group actively conducted employee satisfaction surveys, and continuously improved internal management processes and methods based on the results of various surveys.

### 4.6 Labor Rights and Interests Protection

The Group strictly complies with the laws and regulations such as the Law on the Protection of Minors of the People's Republic of China (《中華人民共和國未成年人保護法》) and the Provisions on the Prohibition of Using Child Labor of the People's Republic of China (《中華人民共和國禁止使用童工規定》) to prohibit any hiring of child labor or forced labor in its business operation.

The Group verifies the identity and age information of job applicants when recruiting to ensure that the employment complies with national laws and regulations as well as the requirements of the Group's management system. Furthermore, the Group prohibits forcing employees to work or work overtime in any form, and protects the legal rights and interests of employees when working overtime. During the year, the Group did not have any material violations of laws and regulations related to the employment of child labor or forced labor.

## 5. Our Partners

The Group attaches great importance to supplier management. When selecting suppliers, it pays attention to the fulfilment of their social responsibilities and service levels. We always select suitable suppliers with high standards, and adopt diversified methods to maintain stable communication with suppliers to understand their suggestions and advices, so as to strengthen the trust of both parties, and to work together to promote common development.

The Group is committed to building a incorruptible and fair supply chain. It regulates bidding and procurement, while also insists on providing equal opportunities for competition to all potential partners. It encourages suppliers to report potential fraud, so as to ensure a fair and open competition environment.

The Group pays attention to the relationship maintenance and communication with brands. Adhering to the attitude of win-win cooperation and working together, the Group shares market trends and consumer insights with brand partners, so as to gain the trust and support of brands, and to promote the common growth of both parties. The Group attaches great importance to the long-term cooperation with brands and is committed to maintaining the stability of cooperation with brands. During the Pandemic, the Group strictly complied with the national pandemic prevention policies, and worked together with brands to overcome difficulties by ensuring uninterrupted product supply through online live order fairs, etc.

In addition, the Group has been seeking new cooperation opportunities, and actively introducing high-quality brands, with an aim to meet customers' consumption needs and build a good brand image.

## 6. Our Governance

In order to strengthen its corporate governance and internal control, and standardize its operation, the Group strictly abides by the requirements of anti-corruption related laws and regulations such as the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and the Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) to resolutely put an end to corruption and commercial bribery, striving to create a incorruptible business environment. During the year, the Group did not have any corruption lawsuits.

### 6.1 Anti-fraud and internal control management

During the year, the Group further improved risk management and anti-fraud related management policies, and added anti-fraud clauses to the "Employee Manual" to further enhance employees' awareness of anti-fraud.

The audit department of the Group is responsible for internal control inspections, including formulating audit plans based on risk assessment, inspecting possible fraud risks and the implementation of the internal control system and forming a summary report, putting forward feasible improvement suggestions for the deficiencies of the existing internal control system and measures, and supervising the responsible departments to improve management.

The Group attaches great importance to the internal publicity and implementation of the integrity management culture. It requires employees in key positions to sign an anti-fraud commitment. And it will seriously investigate any acts involving corruption and fraud, and will pursue criminal responsibility as and when necessary if the cases are serious.

At the same time, the Group continued to carry out anti-fraud propaganda and training for all employees, and focused on strengthening anti-fraud training for new employees and special anti-fraud training for employees in key positions. During the year, employees of the Group completed anti-fraud training through the online learning platform.

### 6.2 Fraud and Reporting

The Group has established comprehensive fraud reporting channels, including corruption reporting QR code and reporting mailbox. All fraud reporting channels are known to all employees through the employee manual and internal management information system, then further planned to be published on the Group's website and in stores.

The audit department of the Group is responsible for receiving internal and external direct fraud reporting. Being authorised and approved, on reporting case with detailed information or evidences, audit department will carried out a comprehensive and independent investigation and promptly reports to the management after the completion of such investigation.

During the year, the Group has developed corruption reporting system to further standardize the process of fraud reporting. Whistleblowers can report to corruption reporting system and reporting mailbox for anonymous whistleblowing. The corruption reporting system has strict authority control that corruption reporting information is only available to key management, which can achieve the systematization of reporting and investigation acceptance, and improve the efficiency of anti-fraud. Furthermore, the corruption reporting system can prevent information leakage and abuse, fully protect privacy information of the whistleblowers with its notification function of information confidentiality.

### 6.3 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 (《中華人民共和國知識產權法》), 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 standardize the management of the acquisition, confidentiality and filing of intellectual property rights. The Group has defined the internal responsibility of intellectual property rights management and focus on 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. To avoid any infringement incidents, authorization agreements are entered for contents used in marketing activities and published on the public platform, use of portraiture right and etc. During the year, the Group has further improved the regulations for IP licensing (including trademarks and artworks) to our partners.

## 7. Environment

The Group has actively performed the environment responsibilities assumed for being a corporate citizen, and strictly complied with the Environment Protection Law of the People's Republic of China (《中華人民共和國環境保護法》). The Group adheres to a green operating model of energy saving and environment protection, endeavours to promote environment protection, green energy saving and waste management, to minimize the negative impact of business operations on the environment. During the year, there are no violations of laws and regulations related to environment protection of the Group.

### 7.1 Energy conservation and consumption reduction

**Electricity conservation**

01 Made full use of natural light in office and conference rooms and turned off the lights when everyone left for lunch and were off duty;

02 Turned off the computers, projectors, display screens, video equipment and other electrical equipment when not in use, and cut off the power switch before getting off work;

03 Corridor lights working at intervals and turned off the lights when no one was in the public areas such as tea rooms, toilets, conference rooms and meeting rooms, etc.;

04 Turned on the air conditioner only when the temperature below 10 degrees Celsius in winter and above 25 degrees Celsius in summer and the air conditioners only work from 9:30 a.m. to 18:00 p.m. on weekdays to prevent unnecessary using;

05 The Group used energy-saving checklists to inspect the implementation of the Group's environment management system by each department and arranged personnel to conduct inspection and re-inspection twice a day.

## Paper conservation

01 Strengthened the management of usage on office expenses and office supplies, regulated deployment, procurement and requisition of office supplies, and strictly enforced their upper standard;

02 Promoted double-sided printing and the recycled use of paper;

03 Technology empowerment and advocated paperless office. Process approval procedure and file transmission in online system to reduce wasting of resources.

## Water conservation

01 Strengthened the daily maintenance and management of water devices to avoid water leakage and running water;

02 Signs of water conservation were posted to raise employees' water-saving awareness.

## Official vehicle management

01 Strictly controlled the configuration and replacement of official vehicles, strengthened the control over the use of official vehicles, and established the policy of the use of official vehicles;

02 Applied "one card for one car" refueling mode to enhance the management and appraisal of fuel quota, and drew up special measures to save fuel and reduce consumption, strived to reduce the total consumption. Strictly implemented fuel quota per vehicle to lower consumption;

03 Maintened, insured and refueled vehicles regularly and uniformly, and specified personnel for maintenance and repairment;

04 Continuously improved the operation skills of vehicle management personnel and drivers, adhered to scientific and standardized driving, strengthened vehicle maintenance, reduced abnormal consumption of vehicle components, and avoided wasting of fuel.

### 7.2 Waste management

The Group actively responded to the call of the national waste sorting policy by setting up trash bins by category in stores and offices to promote standardized management of waste sorting. The general household garbage generated in daily operations is regularly cleaned up by cleaning staff.

The shopping bags used in the Group's stores are made of 100% recyclable materials and can be recycled for several times. In the meantime, the Group encouraged employees to reuse express cartons, which is safe, efficient and cost-saving. Further, employees actively used waste foam materials to make partitions for the shelf in the warehouse to increase the utilization of space.

**"Durable workshop" environmental protection theme activity**

The Nanjing IST KL store of the Group held environmental protection activity themed of "Durable workshop", which was designed to use different recyclable materials in different colors to innovate practical and "durable" products. The Group invited creators to bring their works to the activity and share their design inspiration in detail.

Photo of the activity

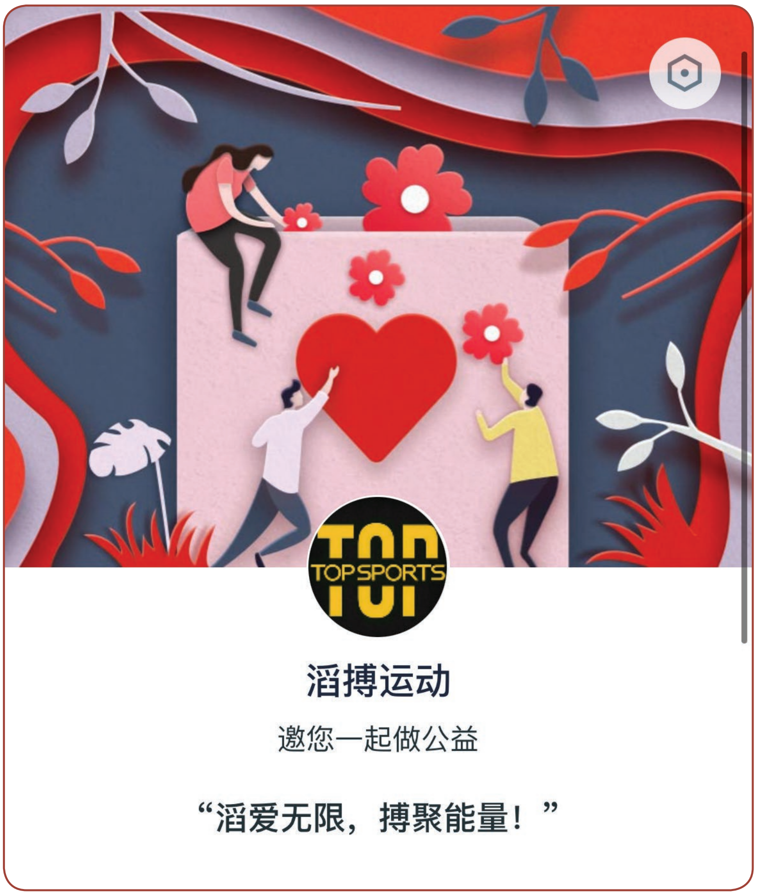
## 8. Community

At the process of business development, the Group also keeps its corporate social responsibility in mind, actively participates in charity undertakings, provides resources and services within its capacity to the society and steadfastly moves forward on the road of charity to deliver love and hope to those in need.

### Cooperation Between Topsports x Pad for Hope

In order to let more children in remote villages have the opportunity to learn and see the world, the Group joined hands with Pad for Hope on Tencent 99 Giving Day to help build the digital classrooms in remote villages. By providing equipment and resources for online teaching, the aim of the cooperation is to build a classroom for rural schools that allows students to explore freely; and from stimulating curiosity, to cultivate the ability to explore and solve problems, and to broaden horizons and encourage communication and expression, to use technology to open a window for rural students to see the world and look into the future.

A total of 2,250 employees of the Group actively forwarded the message and made donations, with a sum of RMB22,473 being raised. In March 2021, Pad for Hope hung the Group's title plaque on the the digital classrooms of two schools in Henan.




Employees actively participated in charity activities

## Appendix I ESG Key Performance Data Sheet

| Key Performance Indicators | Unit | Consumption/Emission |
|---|---|---|
| **A1.1 Emissions** | | |
| Sulphur oxides | kg | 1.23 |
| Nitrogen oxides | kg | 265.18 |
| Particulate matter | kg | 24.28 |
| **A1.2 Greenhouse Gas Emissions** | | |
| Greenhouse gas emissions (Scope 1) | tonne $CO_2e$ | 227.35 |
| Greenhouse gas emissions (Scope 2) | tonne $CO_2e$ | 1,182.62 |
| Total greenhouse gas emissions (Scope 1 and 2) | tonne $CO_2e$ | 1,409.97 |
| **A1.3 Hazardous Waste** | | |
| Hazardous Waste | kg | 635.69 |
| **A1.4 Non-hazardous Waste** | | |
| Non-hazardous Waste | tonne | 14.90 |
| **A2.1 Use of Resources** | | |
| Total energy consumption | MWh | 2,061.98 |
| Direct energy consumption | MWh | 728.26 |
| Indirect energy consumption | MWh | 1,333.72 |
| Energy consumption intensity | MWh/square meters | 0.07 |
| Electric consumption | MWh | 1,333.72 |
| Petrol consumption | litre | 83,960.65 |
| **A2.2 Water consumption** | | |
| Water consumption | $m^3$ | 13,653.05 |
| Water consumption density | $m^3$/square meters | 0.47 |
| **A2.5 Packaging Material** | | |
| Paper bags | tonne | 6,912.35 |

**Environmental data and coefficient description**

(1) The scope of data collection: The time span of environmental data is from 1 March 2020 to 28 February 2021. The data scope of energy, resources and waste covers the Group's headquarters and the administrative office areas of its 15 subordinate regions. The packaging materials are the amount of packaging paper bags purchased for retail stores during the 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 are from the bills of 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 KPIs 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 the bills of related expense and administrative records. The energy consumption factors are based on the national GB/T2589-2008 General Energy Consumption Calculation Principles.

(4) Hazardous wastes include waste ink cartridges and toner cartridges generated from printing. Non-hazardous wastes are domestic wastes generated during the daily operation of office areas. 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.

pwc

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 70 to 133, which comprise:

- the consolidated balance sheet as at 28 February 2021;
- 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 28 February 2021, 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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<br><br>Refer to Notes 4(a) and 20 to the consolidated financial statements.<br><br>At 28 February 2021, inventories of the Group amounted to RMB6,211.3 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.<br><br>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 28 February 2021, provision for impairment of inventories of RMB21.1 million was made to write down the carrying amount of certain inventories to their estimated net realizable value as at 28 February 2021.<br><br>We focused on this area due to the size of the balances and the judgment exercised by management in determining the net realizable value of the inventories. | Our procedures in relation to management's assessment of net realizable value of inventories included:<br><br>• 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, and assessed the inherent risk of misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors.<br><br>• We evaluated the outcome of prior period assessment to assess the effectiveness of management's estimation process.<br><br>• 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.<br><br>• We performed analyses on inventories holding and movement data to identify inventories with indication of slow moving or obsolescence.<br><br>• 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 check for completeness 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.<br><br>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, actions taken to eliminate threats or safeguards applied.

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, 24 May 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 28 February 2021

| | Note | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|---|
| **Revenue** | 6 | **36,009.0** | 33,690.2 |
| Cost of sales | 8 | **(21,327.9)** | (19,502.7) |
| **Gross profit** | | **14,681.1** | 14,187.5 |
| Selling and distribution expenses | 8 | **(9,655.3)** | (9,643.8) |
| General and administrative expenses | 8 | **(1,242.8)** | (1,412.8) |
| Impairment of trade receivables | 8, 21 | **(25.6)** | (19.1) |
| Other income | 7 | **232.0** | 191.1 |
| **Operating profit** | | **3,989.4** | 3,302.9 |
| Finance income | 9 | **140.7** | 55.3 |
| Finance costs | 9 | **(279.3)** | (272.1) |
| Finance costs, net | | **(138.6)** | (216.8) |
| **Profit before income tax** | | **3,850.8** | 3,086.1 |
| Income tax expense | 10 | **(1,080.7)** | (782.7) |
| **Profit for the year attributable to equity holders of the Company** | | **2,770.1** | 2,303.4 |
| | | **RMB cents** | RMB cents |
| **Earnings per share for profit attributable to equity holders of the Company for the year** | | | |
| Basic and diluted earnings per share | 11 | **44.67** | 40.88 |

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 28 February 2021

| | Year ended | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| **Profit for the year attributable to equity holders** | **2,770.1** | 2,303.4 |
| **Other comprehensive income/(loss)** | | |
| *Items that may be subsequently reclassified to profit or loss* | | |
| Exchange differences | **1.2** | (0.8) |
| *Items that will not be reclassified to profit or loss* | | |
| Exchange differences | **50.2** | (40.8) |
| | **51.4** | (41.6) |
| **Total comprehensive income for the year attributable to equity holders of the Company** | **2,821.5** | 2,261.8 |

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

# CONSOLIDATED BALANCE SHEET

As at 28 February 2021

| | Note | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **1,019.5** | 1,153.8 |
| Right-of-use assets | 16(a) | **3,624.6** | 3,908.8 |
| Intangible assets | 17 | **1,089.6** | 1,103.3 |
| Long-term deposits, prepayments and other receivables | 18 | **266.4** | 255.5 |
| Long-term pledged bank deposits | 22 | **1,000.0** | – |
| Deferred income tax assets | 19 | **266.0** | 237.5 |
| | | **7,266.1** | 6,658.9 |
| **Current assets** | | | |
| Inventories | 20 | **6,211.3** | 6,649.0 |
| Trade receivables | 21 | **2,177.3** | 1,486.7 |
| Deposits, prepayments and other receivables | 18 | **822.9** | 822.0 |
| Pledged term deposits | 22 | **–** | 3,594.7 |
| Bank balances and cash | 22 | **1,228.8** | 2,823.9 |
| | | **10,440.3** | 15,376.3 |
| **Total assets** | | **17,706.4** | 22,035.2 |

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

| | Note | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|---|
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 16(b) | **2,329.2** | 2,519.9 |
| Deferred income tax liabilities | 19 | **245.6** | 73.2 |
| | | **2,574.8** | 2,593.1 |
| **Current liabilities** | | | |
| Trade payables | 23 | **445.4** | 1,105.5 |
| Other payables, accruals and other liabilities | 24 | **1,516.1** | 1,593.2 |
| Dividend payable | | **–** | 1,635.3 |
| Short-term borrowings | 25 | **1,337.2** | 2,400.0 |
| Lease liabilities | 16(b) | **1,319.9** | 1,344.7 |
| Current income tax liabilities | | **807.2** | 820.4 |
| | | **5,425.8** | 8,899.1 |
| **Total liabilities** | | **8,000.6** | 11,492.2 |
| **Net assets** | | **9,705.8** | 10,543.0 |
| **EQUITY** | | | |
| **Equity attributable to equity holders of the Company** | | | |
| Share capital | 26 | **–** | – |
| Other reserves | 27 | **5,039.7** | 8,593.4 |
| Retained earnings | | **4,666.1** | 1,949.6 |
| **Total equity** | | **9,705.8** | 10,543.0 |

The consolidated financial statements on pages 70 to 133 were approved by the Board of Directors on 24 May 2021 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 28 February 2021

| | Attributable to equity holders of the Company | | | |
|---|---|---|---|---|
| | **Share capital** RMB million (Note 26) | **Other reserves** RMB million (Note 27) | **Retained earnings** RMB million | **Total equity** RMB million |
| **At 1 March 2020** | **–** | **8,593.4** | **1,949.6** | **10,543.0** |
| Comprehensive income: | | | | |
| Profit for the year | **–** | **–** | **2,770.1** | **2,770.1** |
| Other comprehensive loss: | | | | |
| Exchange difference | **–** | **51.4** | **–** | **51.4** |
| Total comprehensive income for the year | **–** | **51.4** | **2,770.1** | **2,821.5** |
| Appropriation to statutory reserves | **–** | **53.6** | **(53.6)** | **–** |
| Dividends (Note 12) | **–** | **(3,658.7)** | **–** | **(3,658.7)** |
| **Total transactions with equity holders** | **–** | **(3,605.1)** | **(53.6)** | **(3,658.7)** |
| **At 28 February 2021** | **–** | **5,039.7** | **4,666.1** | **9,705.8** |
| 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 income: | | | | |
| 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 (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 |

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 28 February 2021

| | Note | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net cash generated from operations | 28(a) | **5,655.5** | 6,975.6 |
| Income tax paid | | **(950.0)** | (527.8) |
| **Net cash generated from operating activities** | | **4,705.5** | 6,447.8 |
| **Cash flows from investing activities** | | | |
| Payments for purchases of property, plant and equipment and intangible assets | 28(b) | **(643.1)** | (711.9) |
| Proceeds from disposals of property, plant and equipment | 28(c) | **5.9** | 9.6 |
| Payments for acquisition of a business | | **(0.5)** | (21.4) |
| Withdrawal/(placement) of pledged term deposits under the cross-border cash pooling arrangement | 22 | **3,594.7** | (3,594.7) |
| Placement of long-term pledged bank deposits | | **(1,000.0)** | – |
| Placement of other bank deposits | | **(460.0)** | – |
| Withdrawal of other bank deposits | | **460.0** | – |
| Interest received | | **140.7** | 21.6 |
| **Net cash generated from/(used in) investing activities** | | **2,097.7** | (4,296.8) |
| **Cash flows from financing activities** | | | |
| Proceeds from bank borrowings | 28(d) | **1,263.1** | 800.0 |
| Proceeds from drawing as borrowings under the cross-border cash pooling arrangement | 25, 28(d) | **1,460.0** | 2,000.0 |
| Repayment of drawing as borrowings under the cross-border cash pooling arrangement | 25, 28(d) | **(2,460.0)** | – |
| Repayments of bank borrowings | 28(d) | **(1,325.9)** | (1,500.0) |
| Payments for lease liabilities (including interest) | 28(d) | **(1,960.1)** | (1,895.4) |
| Net proceeds from issuance of ordinary shares | 27 | **–** | 7,075.5 |
| Repayments of balances with related companies | | **–** | (3,507.2) |
| Interest paid for bank borrowings | | **(81.4)** | (88.3) |
| Dividends paid to then equity holders of the Group | | **(1,635.3)** | (1,864.7) |
| Dividends paid | 27 | **(3,658.7)** | (744.1) |
| **Net cash (used in)/generated from financing activities** | | **(8,398.3)** | 275.8 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,595.1)** | 2,426.8 |
| Cash and cash equivalents at beginning of the year | | **2,823.9** | 450.5 |
| Exchange differences on cash and cash equivalents | | **–** | (53.4) |
| **Cash and cash equivalents at end of the year** | 22 | **1,228.8** | 2,823.9 |

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

## 1 General information

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

Prior to 28 December 2020, the immediate holding company and an intermediate holding company of the Company were Belle Sports Limited ("Belle Sports"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability and Belle International Holdings Limited ("Belle International"), a company incorporated in the Cayman Islands with limited liability, respectively.

During the year ended 28 February 2021, there was a change in the Company's shareholding structure upon distribution of the Company shares (the "Distribution Shares") by the then immediate holding company of the Company to the respective ultimate beneficial shareholders of the Company (the "Distribution"). Upon completion of the Distribution of the Distribution Shares on 28 December 2020, no entity holds more than 50% equity interest in the Company.

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

## 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) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 March 2020:

- Definition of Material – Amendments to IAS 1 and IAS 8;
- Definition of Business – Amendments to IFRS 3;
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7; and
- Revised Conceptual Framework for Financial Reporting.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current and future periods.

## 2 Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

(b) Early adoption of amended standard

*Adoption of Amendment to IFRS 16 – Covid-19-Related Rent Concessions*

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

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions. Rent concessions totaling RMB121.8 million have been accounted for as negative variable lease payments and recognised in the consolidated statement of profit or loss for the year ended 28 February 2021, with a corresponding adjustment to the lease liabilities. There is also no material impact on the Group's opening balance of equity at 1 March 2020.

(c) New standard and amendments to standards that have been issued but are not yet effective

A number of new and amended standards have been published that are not mandatory for reporting period beginning 1 March 2020 and have not been early adopted by the Group:

| | |
|---|---|
| Amendments to Annual Improvements Project | Annual Improvements to IFRSs 2018-2020 (1) |
| Amendments to IFRS 3, IAS 16 and IAS 37 | Narrow-scope amendments (1) |
| Amendments to IAS 1 | Classification of Liabilities as Current or Non-current (2) |
| 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 2022.
(2) Effective for the Group for annual period beginning on 1 March 2023.
(3) Effective date to be determined.

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

## 2 Summary of significant accounting policies (Continued)

### 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.

*(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.

## 2 Summary of significant accounting policies (Continued)

### 2.2 Subsidiaries (Continued)

#### (a) Consolidation (Continued)

*(i) Business combinations (Continued)*

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.

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.

## 2 Summary of significant accounting policies (Continued)

### 2.2 Subsidiaries (Continued)

#### (a) Consolidation (Continued)

*(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.

### 2.3 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 directors 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 functional currency is HK$. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

## 2 Summary of significant accounting policies (Continued)

### 2.4 Foreign currency translation (Continued)

(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.

### 2.5 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 |

## 2 Summary of significant accounting policies (Continued)

### 2.5 Property, plant and equipment (Continued)

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.

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.

## 2 Summary of significant accounting policies (Continued)

### 2.6 Accounting for leases (Continued)

#### (a) The Group as lessee (Continued)

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.

#### (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 Summary of significant accounting policies (Continued)

### 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.

#### (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 Summary of significant accounting policies (Continued)

### 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.

### 2.10 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.

## 2 Summary of significant accounting policies (Continued)

### 2.17 Current and deferred income tax (Continued)

#### (b) Deferred income tax (Continued)

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.

#### (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 and share-based compensation

#### (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 28 February 2021 and 29 February 2020, no forward foreign exchange contracts had been entered into by the Group.

## 3 Financial risk management (Continued)

### 3.1 Financial risk factors (Continued)

#### (a) Foreign exchange risk (Continued)

As at 28 February 2021 and 29 February 2020, 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, long-term pledged bank deposits 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 28 February 2021, the cash flow interest rate risks arising from the Group's borrowings carried at fixed interest rates (Note 25) are offset by the interest-bearing long-term pledged bank deposits (Note 22), the remaining impact arising from interest rate risk is not significant to the Group's result.

#### (c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, other receivables, cash at banks, long-term pledged bank deposits, 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 28 February 2021 and 29 February 2020, substantially all the bank balances, long-term pledged bank deposits 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 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.

## 3 Financial risk management (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Credit risk (Continued)

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.

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 28 February 2021, total loss allowance of RMB18.0 million (2020: RMB52.8 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.

## 3 Financial risk management (Continued)

### 3.1 Financial risk factors (Continued)

#### (c) Credit risk (Continued)

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.

#### (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 28 February 2021 and 29 February 2020, 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 28 February 2021 and 29 February 2020 payable in the next twelve months calculated in accordance with the relevant borrowing agreements amounted to RMB2.6 million and RMB9.3 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 28 February 2021 RMB million | As at 29 February 2020 RMB million |
|---|---|---|
| Carrying amount of lease liabilities | **3,649.1** | 3,864.6 |
| Within 1 year | **1,650.3** | 1,482.9 |
| More than 1 year and within 2 years | **1,168.3** | 1,269.6 |
| More than 2 years and within 5 years | **1,244.7** | 1,337.9 |
| More than 5 years | **119.2** | 123.5 |
| Total contractual undiscounted cash outflow | **4,182.5** | 4,213.9 |

## 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 28 February 2021 and 29 February 2020, 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, long-term pledged bank deposits 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 28 February 2021 and 29 February 2020, the gearing ratio was as follows:

| | As at | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Short-term borrowings (Note 25) | **1,337.2** | 2,400.0 |
| Less: Long-term pledged bank deposits, pledged term deposits and bank balances and cash | **(2,228.8)** | (6,418.6) |
| Net cash | **(891.6)** | (4,018.6) |
| Total capital | **8,814.2** | 6,524.4 |
| Gearing ratio | **Net cash** | Net cash |

As at 28 February 2021, the Group has a net cash position and the aggregate balances of long-term pledged bank deposits, pledged term deposits and bank balances and cash exceeded the total balance of borrowings by RMB891.6 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 at least annually whether goodwill has suffered any impairment (Note 17). Other non-financial assets including property, plant and equipment, right-of-use assets and other 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 change in the projected performance and resulting future cash flow projections, it may be necessary to make further/reverse 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 Group is 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 directors and senior management of the Company. CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the internal reports provided for review by the CODM. The CODM assesses the performance of the Group's business activities as a whole on a regular basis and the directors of the Company consider that the Group has only one reportable segment. Accordingly, no segment information is presented.

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

As at 28 February 2021 and 29 February 2020, substantially all of the non-current assets of the Group were located in the PRC.

## 6 Revenue

| | Year ended | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Sale of goods | **35,687.3** | 33,393.5 |
| Concessionaire fee income | **240.2** | 266.3 |
| Others | **81.5** | 30.4 |
| | **36,009.0** | 33,690.2 |

## 7 Other income

| | Year ended | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Government incentives (note) | **221.3** | 188.8 |
| Others | **10.7** | 2.3 |
| | **232.0** | 191.1 |

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

## 8 Expenses by nature

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Cost of inventories recognized as expenses included in cost of sales | **21,306.8** | 19,485.2 |
| Staff costs (Note 13) | **3,172.9** | 3,310.5 |
| Lease expenses (mainly including concessionaire fee expenses) | **3,040.4** | 3,226.0 |
| Depreciation on right-of-use assets (Note 16(a)) | **1,923.6** | 1,751.7 |
| Depreciation on property, plant and equipment (Note 15) | **679.9** | 700.8 |
| Amortization of intangible assets (Note 17) | **28.5** | 56.7 |
| Write-off of intangible assets (Note 17) | **2.0** | – |
| Write-off of property, plant and equipment (Note 15) | **16.9** | 14.9 |
| Loss on disposal of property, plant and equipment (Note 28(c)) | **3.1** | 2.8 |
| Impairment of inventories recognized as expenses included in cost of sales (Note 20) | **21.1** | 17.5 |
| Impairment on right-of-use assets (included in selling and distribution expenses) (Note 16(a)) | **14.9** | 43.9 |
| Impairment of trade receivables (Note 21) | **25.6** | 19.1 |
| Other tax expenses | **140.6** | 154.7 |
| Auditors' remuneration | **5.2** | 5.2 |
| Listing expenses | **–** | 51.8 |
| Others | **1,870.1** | 1,737.6 |
| Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment of trade receivables | **32,251.6** | 30,578.4 |

## 9 Finance costs, net

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Interest income from bank deposits | **140.7** | 55.3 |
| Finance income | **140.7** | 55.3 |
| Interest expense on bank borrowings | **(56.4)** | (63.3) |
| Interest expense on lease liabilities (Note 16(b)) | **(222.9)** | (208.8) |
| Finance costs | **(279.3)** | (272.1) |
| Finance costs, net | **(138.6)** | (216.8) |

## 10 Income tax expense

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Current income tax – PRC corporate income tax | | |
| – Current year | **864.0** | 803.7 |
| – (Over)/under-provision in prior years | **(0.6)** | 2.2 |
| – Withholding tax | **73.4** | 140.0 |
| Deferred income taxes (Note 19) | **143.9** | (163.2) |
| | **1,080.7** | 782.7 |

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

## 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% (2020: 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% (2020: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 5% to 15% and other preferential tax treatments (2020: 15% to 20%).

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable 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** | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Profit before income tax | **3,850.8** | 3,086.1 |
| Tax calculated at the applicable tax rate of respective companies (note) | **832.6** | 660.7 |
| Expenses not deductible for tax purposes | **0.3** | 11.8 |
| Tax losses for which no deferred income tax assets were recognized | **2.5** | 16.1 |
| Utilization of previously unrecognized tax losses | **(0.6)** | (2.9) |
| (Over)/under-provision in prior years | **(0.6)** | 2.2 |
| Withholding tax | **246.5** | 94.8 |
| | **1,080.7** | 782.7 |

Note: The weighted average applicable corporate income tax rate is 21.6% (2020: 21.4%). 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 profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | | Year ended | |
|---|---|---|---|
| | | **28 February 2021** | 29 February 2020 |
| Profit attributable to equity holders of the Company | RMB million | **2,770.1** | 2,303.4 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share (note) | thousand of shares | **6,201,222** | 5,634,471 |
| Basic earnings per share | RMB cents | **44.67** | 40.88 |

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 28 February 2021 and 29 February 2020.

## 12 Dividends

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Interim dividend, paid, of RMB12.00 cents (or equivalent to HK$13.73 cents) (2020: RMB12.00 cents (or equivalent to HK$13.14 cents)) per ordinary share (note (a, b)) | **744.1** | 744.1 |
| Special dividend, paid, of RMB40.00 cents (or equivalent to HK$45.78 cents) (2020: Nil) per ordinary share (note (b)) | **2,480.5** | – |
| Final dividend, proposed, of RMB12.00 cents (or equivalent to HK$14.33 cents) (2020: RMB7.00 cents (or equivalent to HK$7.51 cents)) per ordinary share (note (c, d)) | **744.1** | 434.1 |
| | **3,968.7** | 1,178.2 |

Notes:

(a) 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 and has been reflected as an appropriation of retained earnings for the year ended 29 February 2020.

(b) At a meeting held on 27 October 2020, the directors declared an interim dividend of RMB12.00 cents or equivalent to HK$13.73 cents per ordinary share (totaling RMB744.1 million) and a special dividend of RMB40.00 cents or equivalent to HK$45.78 cents per ordinary share (totaling RMB2,480.5 million) for the year ended 28 February 2021, which was paid during the year ended 28 February 2021.

(c) At a meeting held on 25 May 2020, the directors recommended a final dividend of RMB7.00 cents or equivalent to HK$7.51 cents per ordinary share (totaling RMB434.1 million) for the year ended 29 February 2020, which was paid during the year ended 28 February 2021.

(d) At a meeting held on 24 May 2021, the directors recommended a final dividend of RMB12.00 cents or equivalent to HK$14.33 cents per ordinary share (totaling RMB744.1 million) for the year ended 28 February 2021. This proposed dividend is not reflected as dividend payable in the financial statements, but will be reflected in the year ending 28 February 2022.

## 13 Staff costs (including directors' remunerations)

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Wages, salaries and bonuses | **2,841.8** | 2,775.7 |
| Pensions costs - defined contribution plans (note (a)) | **255.4** | 442.6 |
| Welfare and other expenses | **75.7** | 92.2 |
| | **3,172.9** | 3,310.5 |

### (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 28 February 2021 RMB thousand | 29 February 2020 RMB thousand |
|---|---|---|
| Directors | **6,471** | 5,769 |
| Employees | **64,265** | 16,040 |
| | **70,736** | 21,809 |

The five individuals whose remunerations were the highest in the Group include 1 (2020: 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 28 February 2021 RMB thousand | Year ended 29 February 2020 RMB thousand |
|---|---|---|
| Basic salaries and bonuses | **64,148** | 15,889 |
| Pension costs - defined contribution plans | **117** | 151 |
| | **64,265** | 16,040 |

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

| | Year ended 28 February 2021 | Year ended 29 February 2020 |
|---|---|---|
| Emolument band | | |
| HK$1,500,001 to HK$2,000,000 | **–** | – |
| HK$2,000,001 to HK$2,500,000 | **–** | 2 |
| HK$4,000,001 to HK$4,500,000 | **–** | 1 |
| HK$5,000,001 to HK$6,000,000 | **2** | – |
| HK$9,500,001 to HK$10,000,000 | **–** | 1 |
| HK$25,000,001 to HK$30,000,000 | **1** | – |
| HK$35,000,001 to HK$40,000,000 | **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 (2020: 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 28 February 2021** | | | | | | |
| **Executive directors** | | | | | | |
| Yu Wu [1] | **–** | **2,474** | **3,934** | **63** | **–** | **6,471** |
| Leung Kam Kwan [4] | **–** | **708** | **619** | **5** | **–** | **1,332** |
| **Non-executive directors** | | | | | | |
| Sheng Baijiao [2] | **–** | **–** | **–** | **–** | **–** | **–** |
| Sheng Fang [2] | **–** | **–** | **–** | **–** | **–** | **–** |
| Hu Xiaoling [2] | **–** | **–** | **–** | **–** | **–** | **–** |
| Chow Kyan Mervyn [2] [5] | **–** | **–** | **–** | **–** | **–** | **–** |
| Yung Josephine Yuen Ching [2] | **–** | **–** | **–** | **–** | **–** | **–** |
| **Independent Non-executive directors** | | | | | | |
| Lam Yiu Kin [3] | **300** | **–** | **–** | **–** | **–** | **300** |
| Hua Bin [3] | **300** | **–** | **–** | **–** | **–** | **300** |
| Huang Victor [3] | **300** | **–** | **–** | **–** | **–** | **300** |
| | **900** | **3,182** | **4,553** | **68** | **–** | **8,703** |
| **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 |

## 14 Benefits and interests of directors (Continued)

### (a) Directors and chief executive's emoluments (Continued)

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.

(4) Appointed as executive director effective from 27 October 2020.

(5) Resigned as non-executive director effective from 27 October 2020.

During the year, none of the directors waived or agreed to waive any emoluments (2020: Nil).

### (b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the year (2020: 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 (2020: 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 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 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 and 1 March 2020 | **2,842.1** | **238.7** | **48.5** | **3,129.3** |
| Additions | **521.5** | **46.0** | **4.0** | **571.5** |
| Disposals | **(24.6)** | **(9.9)** | **(5.1)** | **(39.6)** |
| Written-off | **(380.1)** | **(21.0)** | **(4.5)** | **(405.6)** |
| **As at 28 February 2021** | **2,958.9** | **253.8** | **42.9** | **3,255.6** |
| **Accumulated depreciation** | | | | |
| As at 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 and 1 March 2020 | **1,799.7** | **144.6** | **31.2** | **1,975.5** |
| Disposals | **(21.4)** | **(5.6)** | **(3.6)** | **(30.6)** |
| Written-off | **(367.0)** | **(17.7)** | **(4.0)** | **(388.7)** |
| Depreciation charges | **639.8** | **34.7** | **5.4** | **679.9** |
| **As at 28 February 2021** | **2,051.1** | **156.0** | **29.0** | **2,236.1** |
| **Net book value** | | | | |
| As at 29 February 2020 | 1,042.4 | 94.1 | 17.3 | 1,153.8 |
| **As at 28 February 2021** | **907.8** | **97.8** | **13.9** | **1,019.5** |

## 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 28 February 2021 RMB million | Year ended 29 February 2020 RMB million |
|---|---|---|
| Selling and distribution expenses | **662.6** | 684.2 |
| General and administrative expenses | **17.3** | 16.6 |
| | **679.9** | 700.8 |

## 16 Lease

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

| | Year ended 28 February 2021 RMB million | Year ended 29 February 2020 RMB million |
|---|---|---|
| As at 1 March | **3,908.8** | 3,451.8 |
| Inception of lease contracts | **1,750.4** | 2,265.6 |
| Depreciation | **(1,923.6)** | (1,751.7) |
| Remeasurement | **(96.1)** | (13.0) |
| Impairment (Note 8) | **(14.9)** | (43.9) |
| As at 28 February/29 February | **3,624.6** | 3,908.8 |

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 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Selling and distribution expenses | **1,877.1** | 1,699.4 |
| General and administrative expenses | **46.5** | 52.3 |
| | **1,923.6** | 1,751.7 |

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 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| As at 1 March | **3,864.6** | 3,300.9 |
| Inception of lease contracts | **1,750.4** | 2,265.6 |
| Interest expense on lease liabilities (Note 9) | **222.9** | 208.8 |
| Payment for lease liabilities (including interest) | **(1,960.1)** | (1,895.4) |
| Remeasurement | **(228.7)** | (15.3) |
| As at 28 February/29 February | **3,649.1** | 3,864.6 |

## 16 Lease (Continued)

### (b) Lease liabilities (Continued)

| | As at 28 February 2021 RMB million | As at 29 February 2020 RMB million |
|---|---|---|
| Amount due for settlement within 12 months (shown under current liabilities) | **1,319.9** | 1,344.7 |
| Amount due for settlement after 12 months | **2,329.2** | 2,519.9 |
| | **3,649.1** | 3,864.6 |

Maturity analysis of lease liabilities is as follows:

| | As at 28 February 2021 RMB million | As at 29 February 2020 RMB million |
|---|---|---|
| Not later than 1 year | **1,319.9** | 1,344.7 |
| Later than 1 year and not later than 5 years | **2,257.6** | 2,400.7 |
| Later than 5 years | **71.6** | 119.2 |
| | **3,649.1** | 3,864.6 |

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

As at 28 February 2021, the total future lease payments for short-term leases amounted to RMB225.0 million (2020: RMB78.4 million). As at 28 February 2021, leases committed but not yet commenced are relatively insignificant (2020: same).

## 17 Intangible assets

| | Goodwill<br>RMB million | Distribution and licenses contracts<br>RMB million | e-Sports licenses and contracts<br>RMB million | Others<br>RMB million | Total<br>RMB million |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 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 and 1 March 2020 | **1,002.4** | **249.0** | **116.8** | **7.0** | **1,375.2** |
| Additions | **–** | **–** | **11.3** | **5.5** | **16.8** |
| Written-off | **–** | **–** | **–** | **(2.5)** | **(2.5)** |
| **As at 28 February 2021** | **1,002.4** | **249.0** | **128.1** | **10.0** | **1,389.5** |
| **Accumulated amortization** | | | | | |
| As at 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 and 1 March 2020 | **–** | **246.1** | **24.7** | **1.1** | **271.9** |
| Amortization for the year | **–** | **2.9** | **23.5** | **2.1** | **28.5** |
| Written-off | **–** | **–** | **–** | **(0.5)** | **(0.5)** |
| **As at 28 February 2021** | **–** | **249.0** | **48.2** | **2.7** | **299.9** |
| **Net book value** | | | | | |
| As at 29 February 2020 | 1,002.4 | 2.9 | 92.1 | 5.9 | 1,103.3 |
| **As at 28 February 2021** | **1,002.4** | **–** | **79.9** | **7.3** | **1,089.6** |

During the year, amortization expense of RMB28.5 million (2020: RMB56.7 million) has been included in general and administrative expenses.

Impairment review on goodwill of the Group has been conducted by management as at 28 February 2021 and 29 February 2020 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 to the Group as a whole.

## 17 Intangible assets (Continued)

### Impairment assessment as at 28 February 2021

The recoverable amount of the Group's goodwill was determined based on FVLCD (2020: same), 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 28 February 2021 with significant headroom (2020: significant).

## 18 Deposits, prepayments and other receivables

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| **Non-current** | | |
| Rental deposits | **258.6** | 238.8 |
| Prepayments for capital expenditures | **7.8** | 16.7 |
| | **266.4** | 255.5 |
| **Current** | | |
| Rental deposits | **306.6** | 301.7 |
| Value-added tax recoverable | **209.3** | 199.9 |
| Prepayments for purchase | **72.8** | 103.7 |
| Other receivables and prepayments | **234.2** | 216.7 |
| | **822.9** | 822.0 |

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 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Net deferred income tax assets recognized | **266.0** | 237.5 |
| Net deferred income tax liabilities recognized | **(245.6)** | (73.2) |
| | **20.4** | 164.3 |

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 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 and 1 March 2020 | **122.6** | **24.5** | **90.4** | **237.5** |
| (Charged)/credited to profit or loss (Note 10) | **(15.1)** | **49.0** | **(5.4)** | **28.5** |
| **As at 28 February 2021** | **107.5** | **73.5** | **85.0** | **266.0** |

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 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 and 1 March 2020 | **0.7** | **72.5** | **73.2** |
| (Credited)/charged to profit or loss (Note 10) | **(0.7)** | **173.1** | **172.4** |
| **As at 28 February 2021** | **–** | **245.6** | **245.6** |

## 19 Deferred income taxes (Continued)

As at 28 February 2021 and 29 February 2020, 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 28 February 2021, the Group had unrecognized tax losses to be carried forward against future taxable income amounting to RMB128.1 million (2020: RMB121.8 million). All of these unrecognized tax losses will expire within 5 years.

As at 28 February 2021, the potential deferred income tax assets in respect of the above unrecognized tax losses amounted to RMB27.4 million (2020: RMB26.7 million).

## 20 Inventories

| | As at | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Merchandise for sale and consumables | **6,282.0** | 6,698.6 |
| Less: provision for impairment losses | **(70.7)** | (49.6) |
| | **6,211.3** | 6,649.0 |

The cost of inventories amounting to RMB21,306.8 million (2020: RMB19,485.2 million) and the provision for impairment of inventories amounting to RMB21.1 million (2020: RMB17.5 million) were included in cost of sales during the year ended 28 February 2021.

## 21 Trade receivables

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Trade receivables | **2,195.3** | 1,539.5 |
| Loss allowance | **(18.0)** | (52.8) |
| | **2,177.3** | 1,486.7 |

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 28 February 2021, the aging analysis of trade receivables, based on invoice date, is as follows:

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| 0 to 30 days | **2,101.3** | 1,209.8 |
| 31 to 60 days | **69.5** | 191.9 |
| 61 to 90 days | **1.8** | 26.7 |
| Over 90 days | **22.7** | 111.1 |
| | **2,195.3** | 1,539.5 |
| Loss allowance | **(18.0)** | (52.8) |
| | **2,177.3** | 1,486.7 |

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

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

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| At the beginning of the year | **52.8** | 33.7 |
| Increase in loss allowance (Note 8) | **25.6** | 19.1 |
| Written-off | **(60.4)** | – |
| At the end of the year | **18.0** | 52.8 |

## 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 deposits, balances and cash

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| **Non-current** | | |
| Long-term pledged bank deposits (note (i)) | **1,000.0** | – |
| **Current** | | |
| Bank balances and cash | **1,228.8** | 2,823.9 |
| Pledged term deposits, under cross-border cash pooling arrangement (note (ii)) | **–** | 3,594.7 |
| | **1,228.8** | 6,418.6 |
| | **2,228.8** | 6,418.6 |
| Denominated in the following currencies: | | |
| RMB | **2,205.0** | 2,746.1 |
| HK$ | **16.7** | 3,672.5 |
| US$ | **7.1** | – |
| | **2,228.8** | 6,418.6 |

Notes:

(i) As at 28 February 2021, the long-term bank deposits were pledged to the bank against the borrowing (Note 25). The long-term pledged bank deposits carried interest at 3.7% per annum. The carrying amounts of these deposits approximate their fair values.

(ii) As at 29 February 2020, pledged term deposits represented deposits placed in a bank under a cross-border cash pooling arrangement operating among certain subsidiaries of the Group. The term deposits were pledged to the bank against cash drawing as borrowings by subsidiaries of the Group under this cross-border cash pooling arrangement (Note 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 approximated 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 28 February 2021, the aging analysis of trade payables, based on invoice date, is as follows:

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| 0 to 30 days | **431.8** | 1,072.5 |
| 31 to 60 days | **1.9** | 32.0 |
| Over 60 days | **11.7** | 1.0 |
| | **445.4** | 1,105.5 |

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 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Accrued wages, salaries, bonuses and staff welfare | **420.3** | 309.1 |
| Value-added tax, business tax and other taxes payables | **377.6** | 343.9 |
| Customers' deposits | **135.7** | 170.0 |
| Other payables and accruals | **317.2** | 330.0 |
| Contract liabilities (note) | **265.3** | 440.2 |
| | **1,516.1** | 1,593.2 |

Note: Substantially all the contract liabilities at the beginning of the years ended 28 February 2021 and 29 February 2020 have been recognized as revenue during the respective financial reporting period as the Group normally delivers the goods to satisfy the remaining performance obligations of the relevant contract liabilities within one year or less.

## 25 Short-term borrowings

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Unsecured bank borrowings (note (a)) | **337.2** | 400.0 |
| Secured bank borrowing (note (b)) | **1,000.0** | – |
| Secured borrowings under a cross-border cash pooling arrangement (note (c)) | **–** | 2,000.0 |
| | **1,337.2** | 2,400.0 |

Notes:

(a) As at 28 February 2021, the Group's short-term bank loans are unsecured and carried interest at floating rates with weighted average interest rate of 1.3% (2020: 3.5%) per annum. The carrying amounts of the Group's short-term bank loans are denominated in USD and HKD which approximate their fair values.

(b) As at 28 February 2021, borrowing of RMB1,000.0 million is secured by the long-term pledged bank deposits of RMB1,000.0 million (Note 22). The carrying amount is denominated in RMB which approximates its fair value. The borrowing carries interest at 2.5% per annum.

(c) 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 interest rate of 3.1% per annum.

(d) The Group's banking facilities, including borrowings, trade finance and other general banking facilities are guaranteed as follows:

| | As at 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Unguaranteed | **418.9** | 2,400.0 |
| Cross guarantees among subsidiaries of the Company | **1,000.0** | – |
| Guaranteed by the Company | **613.7** | – |
| | **2,032.6** | 2,400.0 |
| Corresponding banking facilities utilized | **1,337.2** | 2,400.0 |

## 26 Share capital

| | Number of Ordinary shares | Nominal value of ordinary shares |
|---|---|---|
| **Authorized:** | | |
| As at 1 March 2019 | 5,000,000 | US$500,000 |
| **As at 29 February 2020, 1 March 2020 and 28 February 2021** | **20,000,000,000** | **HK$20,000** |
| **Issued and fully paid:** | | HK$ |
| As at 1 March 2019 | 1 | – |
| Repurchase and cancellation of ordinary share (note (a)) | (1) | – |
| Issuance of share to give effect the Reorganization (note (a)) | 1 | – |
| Shares issued under the capitalization issue (note (a)) | 5,271,038,023 | 5,271 |
| Shares issued pursuant to the Listing (note (b)) | 930,184,000 | 930 |
| **As at 29 February 2020, 1 March 2020 and 28 February 2021** | **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 shares 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 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 and 1 March 2020 | **26,395.5** | **(18,437.6)** | **(40.1)** | **675.6** | **8,593.4** |
| Exchange difference | **–** | **–** | **51.4** | **–** | **51.4** |
| Appropriation to statutory reserves | **–** | **–** | **–** | **53.6** | **53.6** |
| Dividend (Note 12) | **(3,658.7)** | **–** | **–** | **–** | **(3,658.7)** |
| **At 28 February 2021** | **22,736.8** | **(18,437.6)** | **11.3** | **729.2** | **5,039.7** |

## 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 of the Group that took place in 2018 (the "Reorganization"), representing the excess of the fair value of the Company's share issued for Reorganization over the share capital of the subsidiaries transferred to the Company after elimination of inter-company investments, if any, immediately before the Reorganization. Capital reserve also included other contributions from Belle International as detailed as 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 was 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 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|---|
| Profit before income tax | | **3,850.8** | 3,086.1 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 15 | **679.9** | 700.8 |
| Depreciation on right-of-use assets | 16(a) | **1,923.6** | 1,751.7 |
| Amortization of intangible assets | 17 | **28.5** | 56.7 |
| Loss on disposal of property, plant and equipment | 28(c) | **3.1** | 2.8 |
| Write-off of property, plant and equipment | 15 | **16.9** | 14.9 |
| Write-off of intangible assets | 17 | **2.0** | – |
| Impairment of trade receivables | 21 | **25.6** | 19.1 |
| Impairment of right-of-use assets | 16 | **14.9** | 43.9 |
| Impairment of inventory | 20 | **21.1** | 17.5 |
| Interest income | 9 | **(140.7)** | (55.3) |
| Interest expense | 9 | **279.3** | 272.1 |
| Others | | **(81.2)** | 9.5 |
| Operating profit before changes in working capital | | **6,623.8** | 5,919.8 |
| Changes in working capital: | | | |
| Increase in long-term deposits, prepayments and other receivables | | **(19.8)** | (45.9) |
| Decrease/(increase) in inventories | | **416.6** | (527.8) |
| (Increase)/decrease in trade receivables | | **(716.2)** | 1,012.0 |
| Decrease in deposits, prepayments and other receivables | | **24.1** | 38.6 |
| (Decrease)/increase in trade payables | | **(659.6)** | 484.9 |
| (Decrease)/increase in other payables, accruals and other liabilities | | **(13.4)** | 94.0 |
| Net cash generated from operations | | **5,655.5** | 6,975.6 |

## 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 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Additions to: | | |
| Property, plant and equipment | **571.5** | 766.3 |
| Intangible assets | **16.8** | 15.2 |
| Decrease in prepayments | **(8.9)** | (5.3) |
| Decrease/(increase) in other payables | **63.7** | (64.3) |
| | **643.1** | 711.9 |

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

| | Year ended 28 February 2021 RMB million | 29 February 2020 RMB million |
|---|---|---|
| Net book value | **9.0** | 12.4 |
| Loss on disposal of property, plant and equipment | **(3.1)** | (2.8) |
| Proceeds from disposals | **5.9** | 9.6 |

(d) **Reconciliation of liabilities arising from financing activities:**

| | Bank loans RMB million | Lease liabilities RMB million |
|---|---|---|
| As at 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 and 1 March 2020 | **2,400.0** | **3,864.6** |
| Non-cash movements | **–** | **1,744.6** |
| Cash flows | **(1,062.8)** | **(1,960.1)** |
| **As at 28 February 2021** | **1,337.2** | **3,649.1** |

## 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. The consideration was fully paid as at 28 February 2021.

## 29 Future minimum lease payments receivables

As at 28 February 2021, the future aggregate minimum lease payments receivable in respect of land and buildings under non-cancellable operating leases were as follows:

| | **As at** | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Not later than 1 year | **44.3** | 35.1 |
| Later than 1 year and not later than 5 years | **16.0** | 22.7 |
| | **60.3** | 57.8 |

## 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 | |
|---|---|---|
| | **28 February 2021 RMB million** | 29 February 2020 RMB million |
| Transactions with companies controlled by Belle International other than the Group (note (a)) | | |
| – Sale of goods | **1.5** | 15.4 |
| – Logistics services fees | **368.6** | 301.9 |
| – E-commerce services fees | **115.9** | 113.3 |
| – Rental expenses | **30.6** | 33.0 |
| Key management compensation | | |
| – Salaries, bonuses and other welfare (note (b)) | **13.6** | 10.7 |

Notes:

(a) Transactions with related companies are carried out 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.

## 31 Balance Sheet of the Company

| | As at 28 February 2021 RMB million | As at 29 February 2020 RMB million |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Property, plant and equipment | **0.7** | – |
| Investments in subsidiaries | **17,746.8** | 24,216.1 |
| | **17,747.5** | 24,216.1 |
| **Current assets** | | |
| Prepayments | **0.4** | – |
| Amounts due from subsidiaries | **3,610.6** | 3,648.3 |
| Bank balances and cash | **6.6** | 0.5 |
| | **3,617.6** | 3,648.8 |
| **Total assets** | **21,365.1** | 27,864.9 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Short-term borrowings | **125.7** | – |
| Accruals | **1.0** | 30.6 |
| Dividend payable | **–** | 1,635.3 |
| **Total liabilities** | **126.7** | 1,665.9 |
| **Net assets** | **21,238.4** | 26,199.0 |
| **EQUITY** | | |
| **Equity attributable to equity holders of the Company** | | |
| Share capital | **–** | – |
| Other reserves (note) | **20,739.3** | 25,992.8 |
| Retained earnings (note) | **499.1** | 206.2 |
| **Total equity** | **21,238.4** | 26,199.0 |

## 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 28 February 2019 and 1 March 2019 | 19,320.0 | – | – | 19,320.0 |
| Profit and total comprehensive 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) |
| Dividends (Note 12) | – | – | (744.1) | (744.1) |
| Exchange differences | – | (402.7) | – | (402.7) |
| At 29 February 2020 and 1 March 2020 | **26,395.5** | **(402.7)** | **206.2** | **26,199.0** |
| Profit and total comprehensive profit for the year | **–** | **–** | **292.9** | **292.9** |
| Dividends (Note 12) | **(3,658.7)** | **–** | **–** | **(3,658.7)** |
| Exchange differences | **–** | **(1,594.8)** | **–** | **(1,594.8)** |
| **At 28 February 2021** | **22,736.8** | **(1,997.5)** | **499.1** | **21,238.4** |

## 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 29 February 2020 | Effective interest held by the Group As at 28 February 2021 |
|---|---|---|---|---|---|
| **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 and trading of sportswear products | 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 29 February 2020 | As at 28 February 2021 |
|---|---|---|---|---|---|
| **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%** |
| 雲南立鋭體育用品有限公司 (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%** |
| 領騁貿易(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 29 February 2020 | Effective interest held by the Group As at 28 February 2021 |
|---|---|---|---|---|---|
| **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 29 February 2020 | Effective interest held by the Group As at 28 February 2021 |
|---|---|---|---|---|---|
| **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 five financial years is set out as follows:

| | | Year ended | | | | |
|---|---|---|---|---|---|---|
| | | **28 February 2021** | 29 February 2020 | 28 February 2019 | 28 February 2018 | 28 February 2017 |
| **Operating results:** | | | | | | |
| Revenue | RMB million | **36,009.0** | 33,690.2 | 32,564.4 | 26,549.9 | 21,690.3 |
| Gross profit | RMB million | **14,681.1** | 14,187.5 | 13,607.3 | 11,038.3 | 9,378.4 |
| Operating profit | RMB million | **3,989.4** | 3,302.9 | 3,236.8 | 2,252.0 | 1,939.9 |
| Profit attributable to the Company's equity holders | RMB million | **2,770.1** | 2,303.4 | 2,199.8 | 1,436.0 | 1,317.3 |
| Non-IFRS Measure | | | | | | |
| – Adjusted operating profit | RMB million | **3,992.3** | 3,390.3 | 3,282.4 | 2,635.0 | 2,169.3 |
| – Adjusted profit attributable to the Company's equity holders | RMB million | **2,772.3** | 2,381.9 | 2,236.5 | 1,810.1 | 1,537.8 |
| **Assets and liabilities:** | | | | | | |
| Bank balances and cash | RMB million | **2,228.8** | 6,418.6 | 650.5 | 463.6 | 674.3 |
| Short-term borrowings | RMB million | **1,337.2** | 2,400.0 | 1,300.0 | 400.0 | – |
| Total assets | RMB million | **17,706.4** | 22,035.2 | 16,216.4 | 14,352.8 | 12,181.5 |
| Total liabilities | RMB million | **8,000.6** | 11,492.2 | 14,267.6 | 10,571.4 | 7,287.3 |
| Total equity | RMB million | **9,705.8** | 10,543.0 | 1,948.8 | 3,781.4 | 4,894.2 |
| **Key financial indicators:** | | | | | | |
| Gross profit margin | % | **40.8** | 42.1 | 41.8 | 41.6 | 43.2 |
| Operating profit margin | % | **11.1** | 9.8 | 9.9 | 8.5 | 8.9 |
| Profit margin attributable to the Company's equity holders | % | **7.7** | 6.8 | 6.8 | 5.4 | 6.1 |
| Non-IFRS Measure | | | | | | |
| – Adjusted operating profit margin | % | **11.1** | 10.1 | 10.1 | 9.9 | 10.0 |
| – Adjusted profit margin attributable to the Company's equity holders | % | **7.7** | 7.1 | 6.9 | 6.8 | 7.1 |
| Earnings per share – basic and diluted | RMB cents | **44.67** | 40.88 | 41.73 | N/A | N/A |
| Adjusted earnings per share, for illustrative purpose | RMB cents | **44.67** | 37.14 | 35.47 | N/A | N/A |
| Average trade receivables turnover period | days | **18.6** | 21.8 | 28.9 | 30.9 | 33.1 |
| Average trade payables turnover period | days | **13.3** | 16.4 | 9.9 | 8.6 | 8.5 |
| Average inventory turnover period | days | **110.0** | 120.0 | 103.5 | 103.2 | 103.6 |
| Gearing ratio | % | **Net cash** | Net cash | 25.0 | Net cash | Net cash |
| Current ratio | times | **1.9** | 1.7 | 0.9 | 1.1 | 1.3 |