TOPSPORTS 滔搏

2021/22
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

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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. HUANG Victor *(Chairman)*
Mr. YU Wu
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

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

FINANCIAL HIGHLIGHTS

		Year ended 28 February 2022	28 February 2021
Revenue	RMB million	**31,876.5**	36,009.0
Gross profit	RMB million	**13,824.4**	14,681.1
Operating profit	RMB million	**3,430.1**	3,989.4
Profit attributable to the Company's equity holders	RMB million	**2,446.5**	2,770.1
Gross profit margin	%	**43.4**	40.8
Operating profit margin	%	**10.8**	11.1
Profit margin attributable to the Company's equity holders	%	**7.7**	7.7
Earnings per share – basic and diluted	RMB cents	**39.45**	44.67
Dividend per share			
– interim, paid	RMB cents	**13.00**	12.00
– special, paid	RMB cents	**N/A**	40.00
– final, proposed	RMB cents	**7.00**	12.00
– special, proposed	RMB cents	**23.00**	N/A
Average trade receivables turnover period	days	**18.8**	18.6
Average trade payables turnover period	days	**13.9**	13.3
Average inventory turnover period	days	**130.4**	110.0

		As at 28 February 2022	28 February 2021
Gearing ratio	%	**Net cash**	Net cash
Current ratio	times	**2.3**	1.9

STATEMENT FROM CHAIRMAN

Dear Shareholders,

Looking back on the past year, consumer behaviors and perceptions were gradually changing to cope with the new norm due to the uncertainties of the current pandemic and the resulting volatile macro-environment. For retail companies that directly engage with consumers on a day to day basis, this put the operation agility and efficiency established during the outset of the 2020 pandemic to further test, while also constantly pressures to pivot towards long-term consumer-centric development and strengthens the determination to adhere to long-term convictions amid current dynamics. For Topsports, this is a year of resilience and prudence in face of the prevailing potentials in the changing market demand.

At the macro level, despite the external challenges, as the only major economy which recorded positive economic growth in the world, China's economic development continued to maintain its world-leading position as a result of the targeted and precise pandemic prevention efforts, while consumer choices and consumption patterns embrace this new norm. China's gross domestic product (GDP) raised by 8.1% year-on-year for 2021 and exceeded RMB114 trillion, together with a year-on-year increase of 12.5% in terms of total retail consumer goods sales, which sustained the prudently optimistic trend despite the current adversity. Meanwhile, due to the appearance of this highly contagious new variant, the anti-pandemic and control measures were put in place to react more proactively in flexible manner. The unprecedented recurrent and irregular pandemic outbreaks constrained local consumptions among various regions. With supply chain shortages during the second half of the financial year, the situation appeared to be more challenging for Topsports, considering our futures' model. To take on the headwinds, we centralized on our core strengths and values, including our omni-operation agility to integrate online and offline, efficient inventory management with swift turnover, as well as digital empowerment on operation and management capability. The effective execution of these measures reflects our commitment on quality growth as our principle amid uncertain external conditions.

Furthermore, we witness Chinese consumers mature in their mindset and become more confident and sophisticated, in spite of various consumption headwinds. Consumers are more independent and confident, while anticipating more immersive experience and co-creation of experiences. Topsports remains committed to our consumer-centric principle, while such dynamics challenges us to engage with consumers more swiftly and accurately to identify their needs. Crises often give rise to opportunities, as we jointly confronted these challenges with our brand partners through enhancing service and products offerings based on a diverse brand portfolio which comprehensively encompasses all segments of consumer journey and preferences. We listened to our consumers and resonate with them, which in turn wins us their recognition. As at 28 February 2022, despite a year-on-year net decrease of 311 in the total number of Topsports' directly-operated retail stores, the gross selling area increased year-on-year by 5.4%, and the total enrolled members reached 55.5 million. As of now, we have partnered with 11 leading international and domestic brands through long-term strategic cooperation to co-create sports experience and values dedicated to Chinese consumers.

Due to the aforementioned macro headwinds, the Company's total revenue decreased by 11.5% year-on-year according to our annual results for the year ended 28 February 2022. Balanced by our efficient inventory turnover and disciplined markdown control, the gross profit margin recorded a year-on-year increase of 2.6 percentage points to 43.4%. Although we implemented efficient cost control, the profit attributable to the Company's equity holders decreased by 11.7% year-on-year as impacted by the revenue decline. The Board has recommended a final dividend of RMB7.00 cents per ordinary share and a special dividend of RMB23.00 cents per ordinary share. Together with an interim dividend of RMB13.00 cents per ordinary share, the total dividends for the year ended 28 February 2022 amount to RMB43.00 cents per ordinary share. Amidst the challenging environment, we constantly dedicate ourselves to achieving quality earnings through operation excellence, so as to generate shareholders' value by emphasizing on shareholder returns.

Inspired by the ever-changing market, especially the insightful observation gained through consumer interactions to dynamically cater to their demands, we are encouraged by these external variations to further solidify our competencies in a more diverse manner. With a proactive and open mindset, we are looking forward to embracing new potentials through in-depth market insights amid challenges. As we look ahead, we remain optimistic in the market potential and future development of China's sportswear industry. As no victory is easy feat, we are confident in exploring and seizing new opportunities that are available to Topsports to achieve quality and sustainable development, and work to contribute to the great journey of China's to development from a "major sports country" to a "world sports power".

SHENG Baijiao
Chairman & Non-executive Director

Hong Kong, 29 June 2022

STATEMENT FROM CEO

Dear Shareholders,

Over the past year, the retail environment in which we operate met with unprecedented challenges caused by factors including frequent pandemic outbreaks and the inventory shortage as a result of global supply chain disruption. The sportswear industry, however, still witnesses the prosperous momentum, underpinned by national policy for its long-term growth. In August 2021, the State Council issued a notice concerning the promotion of national fitness with the aim to establish public fitness facilities at the county, township and administrative village levels to achieve the full coverage of 15-minute fitness circles by 2025, which is expected to bring a market of RMB5 trillion to the sports goods industry. Meanwhile, the appetite of Chinese consumers and sports enthusiasts for sports continue to grow as their understanding of sports matures, leading to a pursuit for more acute and confident choices. Consumer passion extends beyond product demand to sports lifestyle and concept aspiration, and is fueled by the desire to further engage both physically and virtually. Despite the predicament, the crises often give rise to opportunities, and we are resolved to cultivating our Omni-operation capabilities and constantly iterate to improve our agility. These long-term competencies serve as a strong moat for the Company and give us confidence in our continuing leadership in the industry.

During the year, in order to respond to external challenges in a more efficient and agile manner, we have focused on unlocking market potential and opportunities, dynamic inventory management to maximize efficiency, and prudent expense control. We continued to expand our consumer-centric brand portfolio to include a total of 11 leading domestic and foreign brands in the Chinese market. Our total gross selling area continued to expand as we steadily implemented the store structure strategy of "Select + Optimize", impelled by the transformed role for physical store engagement to cope with shifting consumer demand on top of more diverse brand portfolio and product offerings. A great many large format stores opened across the country, while store functions are reimaged on the back of retail transformations that blur the lines between online and offline. Meanwhile, we proactively sought to enrich our products and services, bringing in major business focuses to more tightly attach with the concept of consumer-centric traffic management including engagement, conversion and retention. While we deepen our consumer insights, we also gained consumers' understanding and recognition of the Topsports brand.

A year ago, when I looked back at the last financial year, I shared in my conclusion that the appeal of sports not only resides within the sport itself, but also through consistent self-discipline, rigorous training and endurance for both physically and mentally, and dedicate oneself simply for the next break-through. Now looking at the past year, it is the spirit of sportsmanship that we are equipped with, which support us confront headwinds amid volatile market conditions, the pandemic, as well as the challenges associated with disrupted supply chain in the second half of the financial year. We fully applied our strengths with agility and efficiency to daily operation and our engagement with consumers to better understand them and serve them.

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 2022 as follows:

For the financial year ended 28 February 2022, our total revenue decreased by 11.5% year-on-year to RMB31,876.5 million, and our operating profit decreased by 14.0% year-on-year to RMB3,430.1 million. The profit attributable to the Company's equity holders was RMB2,446.5 million, representing a decrease by 11.7% year-on-year. Basic earnings per share was RMB39.45 cents, representing a decrease by 11.7% year-on-year.

The Board has recommended a final dividend of RMB7.00 cents per ordinary share and a special dividend of RMB23.00 cents per ordinary share for the financial year ended 28 February 2022. Together with the interim dividend of RMB13.00 cents per ordinary share, the total dividends for the financial year ended 28 February 2022 amount to RMB43.00 cents per ordinary share.

BUSINESS REVIEW

During the year, our revenue was adversely impacted by the challenging external environment, particularly in the second half of the year. However, on a quarterly basis, the fourth quarter outperformed the third quarter. As a retail company, to address the new market equilibrium despite complex market conditions, we prioritized to ensure healthy inventory management. Leveraging the integrated omnipresent marketplace that we well-established and addressing the ever-changing consumer habits and shopping occasions, we enhanced turnover efficiency by adopting more swift inventory sharing mechanism between online and offline marketplaces and also to cope with the unique features and preference among them. For the financial year ended 28 February 2022, we successfully maintained a healthy sales contribution mix as well as inventory mix, resulting in strong cash generation.

Meanwhile, looking ahead, we will continue to optimize our directly-operated retail network by iterating our store-level capabilities and drive for next generation of digitalization with a focus on consumer to increase the depth and scale of our engagements. We seek to extend the reach of our services as we recalibrate ourselves against the ever-changing consumer journey. Our business moat is further enhanced as we constantly upgrade our "Retail Operation Playbook".

1. Continued Optimization of Directly-Operated Retail Network and Expansion of Store-based Omni-operations

During the year, the optimization of our directly-operated retail network under the strategy of "Select + Optimize" remained at the core of our focus. We consistently rolled out large format stores in joint efforts with our strategic brand partners in major commercial areas with high potentials, revamped and upgraded high potential stores and closed the low-productivity and loss-making stores to mitigate the long-tail impact imposed by low efficient ones within our store network. As of 28 February 2022, we operated a network of 7,695 directly-operated stores. As compared with 28 February 2021, a net decrease of 311 stores was registered with gross selling area increasing by 5.4% year-on-year.

In light of more changing consumer demand and the need for better consumption experience, more immersive shopping experience has gradually overtaken product display as the focus. Brick-and-mortar stores transform themselves from retail outlets to experience hubs that offer one-stop service and interconnect the online and offline journey. As of 28 February 2022, large format stores over 300 sq.m accounted for 12.9%, representing an increase by 3.5 percentage points from 28 February 2021. Meanwhile, large format store served as the traffic intersection point between online and offline to further facilitate the evolution of store-based retail capabilities, which in turn drives the recalibration of business model for traditional retail stores. For the financial year ended 28 February 2022, for those stores equipped with WeChat mini programs, private domain contributed to mid-teens of the total direct retail sales (inclusive of VAT) of these stores.

Changes in the number of our stores during the year:

	As at 28/29 February			
	2019	2020	2021	**2022**
Number of stores				
At the beginning of the year	8,302	8,343	8,395	**8,006**
Opening of new stores	1,415	1,416	713	**906**
Closure of stores	(1,374)	(1,364)	(1,102)	**(1,217)**
Net increase/(decrease) in the number of stores	41	52	(389)	**(311)**
At the end of the year	8,343	8,395	8,006	**7,695**

Numbers and percentages of our stores by size:

	As of 28/29 February							
	2019	%	2020	%	2021	%	**2022**	**%**
Store size:								
150 sq.m or smaller	5,947	71.3%	5,732	68.3%	5,192	64.8%	**4,624**	**60.1%**
Between 150 and 300 sq.m	1,978	23.7%	2,051	24.4%	2,064	25.8%	**2,082**	**27.0%**
Larger than 300 sq.m	418	5.0%	612	7.3%	750	9.4%	**989**	**12.9%**
Total	8,343	100.0%	8,395	100.0%	8,006	100.0%	**7,695**	**100.0%**

2. Deepening Long-term Digitalization with "Precision + Efficiency"

With the gradual integration of shopping occasions in the post-pandemic era, comes the acceleration of retail digitalization while digitalization has always been an enduring battle for the future. In addition to the continuous optimization and iteration of consumer engagement in broader spaces, the essence of digitalization is also key to empower our operations and management, to solidify our foundation of core strengths with elevated efficiency. Digital transformation integrates and optimizes the business operation through data, cultivating systems using existing data enhancing systems with artificial intelligence, for a more effective business.

During the year, we continued to invest to strengthen our digitalization capability, while growing our professional talent team and carry out efficient product development and iteration to cope with operation needs. In retrospect, the digitalization of back-office support for business operations and the front-end customer engagement was largely completed, with constant and iterative systematic upgrades. On top of this, we continued to push forward development of middle-platform data system to provide intelligent support capability, with a long-term commitment to empower front-line retail operations, more specifically the trinity of "people", "product" and "marketplace".

With the prevalence of private domain traffic, front-line staff have become a vital interface in facilitating private domain stickiness. Based on our existing tools, we made timeless attempts to further modularize and smoothen their jobs and tasks through digitalization, and precisely dispatched centralized consumer analysis to front-line through WeCom to enable the empowerment on the store level, delivering high output toolkits to the last mile, and the most critical segment of our consumer engagement. Simultaneously, we piloted private domain operations in certain regions. Through a centralized, standardized and uniform management for certain operating functions supported by digital measures, we further enabled the front-line staff to focus more on consumer growth at scale. At present, this project has obtained encouraging initial results.

In parallel, to empower our private domain operation that is growing in sophistication, we launched an integrated multi-purpose platform including consumer data dashboard. The new system is equipped with the ability to aggregate and analyze massive membership information by segments, and to label and identify with over 100 useful tags. On that basis, the platform enables consumer analysis across brands, serving as a useful guidance for front-line consumer engagement and back-office procurement systems with advanced accuracy and precision. The immense data processing capability of the new system also provided us with the ability to target and activate members through automatic marketing activities at scale.

At "product" and "marketplace" level, we endeavored to enhance our analysis and management both in terms of latitude and granularity through more detailed tagging in marketplace and merchandise, based on input from a combination of internal and acquired data. Through this, we aim to enhance the precision of our future marketplace placement as well as optimization of retail operation by leveraging on power of algorithm generated from multiple data and analytical models.

3. Obsessed with Consumer Operations for Double Increase of User Scale and Loyalty

During the year, despite external uncertainties, Topsports remained steadfast in our efforts to seamlessly connect with consumers. We strengthened consumer awareness and recognition of Topsports by virtue of omnipresent consumer engagement, community interaction, and actions to discern consumer needs, echoing their lifestyle and social passions. The impact from fluctuating offline traffic as a result of recurrent pandemic outbreaks were offset by member acquisition from online and offline. As at the end of February 2022, the cumulative number of enrolled members and WeChat followers continued to increase, and the contribution to total in-store retail sales (inclusive of VAT) by members remained stable with more significant contribution from repeated purchases of existing members.

During the year, we launched a series of member activities including mid-year member benefit events, Member Carnival Week and year-end lottery competition, with exclusive benefits such as limited edition sneakers for members offered through online and physical stores, and interactive games and events such as "Top Players", which helped boost member loyalty, identify fashion icons and our own KOC (Key Opinion Customers) resources. In addition, activation marketing was carried out targeting members to enhance their activeness and loyalty.

As a comprehensive membership management and service platform that integrates content marketing, online shopping, membership services and other functions, the TOPSPORTS app garnered over 4.1 million cumulative users as at 28 February 2022. We introduced social community and user cultivation in our app, where users could partake in activities such as sneaker collection tips sharing, peer networking and theme events through the online sports lifestyle community "滔Ker". A closed loop of traffic management including topic initiation, content discussion, interest polling and product recommendation, are introduced to help foster participations and a linkage to the TOPSPORTS WeChat mini-program. We also newly expanded to offer customized services to further cater to consumers' tailored and unique preferences.

As at 28 February 2022, our cumulative number of enrolled members reached 55.5 million. During the latest quarter as of 28 February 2022, the total in-store retail sales (inclusive of VAT) contributed by our members was maintained at a high level of 96.4%.

	As of			
	31 May 2021	31 August 2021	30 November 2021	**28 February 2022**
Cumulative number of our enrolled members	44.2	47.2	50.9	**55.5**
Percentage of total in-store retail sales value (inclusive of VAT) contributed by members for the quarter ended	96.6%	95.6%	95.6%	**96.4%**

Unit: Million

4. **Expand Our Service Offerings to Further Our Engagement along the Consumer Journey**

To extend our connection and companionship with consumers and encompass each segment along consumers journey, we seek to extend our service and content offerings from the traditional transaction and post-sale, to gradually extend to engagement and interaction during pre-sale so as to increase customer lifetime value.

We have been curating and publishing quality and popular contents to fans through our official WeChat account TOPSPORTS. As a next-generation gateway to diversified lifestyles and consumption decisions, platforms such as Xiaohongshu (小紅書) and Douyin (抖音) constitute an important product information acquisition source for consumers. During the year, we correspondingly accelerated our exploration in product recommendation among platforms to gradually establish content media matrix to incubate self-owned IP accounts. Our official WeChat accounts have more than 27 million followers, with nearly 70 million views in total for our content published across all social media accounts last year. In addition, our Top eSports club has continuously succeeded in various competitions, including the Demacia Cup champion in the League of Legends Pro League in December 2021, which attracted a soaring traffic inflow of followers of Top eSports Weibo account to over 5.6 million, paving the way for commercialization.

OUTLOOK AND APPRECIATION

The value proposition of sports lies in the pursuit of healthy lifestyle, self-transcendence and embracing solidarity. As a participant, contributor and witness of the development of the sports industry in China, Topsports is dedicated to our mission of "breaking boundaries through sports and inspiring limitless possibilities". Consumer-centric at the core, we are committed to steadily implementing below strategies together with our brand partners, realizing quality and sustainable development with the sport spirit, and better serving Chinese consumers.

- Deepen brand partnerships and expand our brand offerings
- Expand store network under the "Select + Optimize" strategy and advance store-based Omni-operations
- Deepen long-term digitalization with "Precision + Efficiency" strategy
- Focus on the dual-expansion of membership scale and enhanced loyalty by doubling down on consumer engagement and traffic operations
- Extend service offerings along segments of consumer journey to fully unlock consumer lifetime value

Here, on behalf of the Company, I would like to express my sincere gratitude to our consumers, employees, brand partners and other partners for their trust and support of Topsports. We expect to stand firm to our endeavor, and continually create long-term value for our consumers, shareholders and all of our partners sustainably.

YU Wu
Chief Executive Officer & Executive Director

Hong Kong, 29 June 2022

FINANCIAL REVIEW

For the year ended 28 February 2022, the Group recorded revenue of RMB31,876.5 million, a decrease of 11.5% compared with that of the year ended 28 February 2021. The Group recorded operating profit of RMB3,430.1 million, a decrease of 14.0% compared with that of the year ended 28 February 2021. The profit attributable to the Company's equity holders during the year amounted to RMB2,446.5 million, a decrease of 11.7% compared with that of the year ended 28 February 2021.

REVENUE

The Group's revenue decreased by 11.5%, from RMB36,009.0 million for the year ended 28 February 2021 to RMB31,876.5 million for the year ended 28 February 2022. The decline was mainly due to the impact of frequent pandemic outbreaks and global supply chain disruption, since late July and the second half of the financial year respectively, to retail operations, partly offset by increase in revenue contributed by the wholesale operations as our tactical intention. 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 2022		28 February 2021		Decline
	Revenue	**% of total**	Revenue	% of total	rate
Principal brands*	**27,569.3**	**86.5%**	31,421.2	87.3%	12.3%
Other brands*	**4,005.2**	**12.6%**	4,266.1	11.8%	6.1%
Concessionaire fee income	**236.0**	**0.7%**	240.2	0.7%	1.7%
e-Sports income	**66.0**	**0.2%**	81.5	0.2%	19.0%
Total	**31,876.5**	**100.0%**	36,009.0	100.0%	11.5%

Unit: RMB million

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

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

	Year ended				
	28 February 2022		28 February 2021		Growth/ (Decline)
	Revenue	**% of total**	Revenue	% of total	rate
Retail operations	**26,354.3**	**82.7%**	30,733.3	85.3%	(14.2%)
Wholesales operations	**5,220.2**	**16.4%**	4,954.0	13.8%	5.4%
Concessionaire fee income	**236.0**	**0.7%**	240.2	0.7%	(1.7%)
e-Sports income	**66.0**	**0.2%**	81.5	0.2%	(19.0%)
Total	**31,876.5**	**100.0%**	36,009.0	100.0%	(11.5%)

Unit: RMB million

PROFITABILITY

The Group's operating profit decreased by 14.0% to RMB3,430.1 million for the year ended 28 February 2022. The profit attributable to the Company's equity holders decreased by 11.7% to RMB2,446.5 million for the year ended 28 February 2022.

	Year ended		
	28 February 2022	28 February 2021	Decline rate
Revenue	**31,876.5**	36,009.0	11.5%
Cost of sales	**(18,052.1)**	(21,327.9)	15.4%
Gross Profit	**13,824.4**	14,681.1	5.8%
Gross profit margin	**43.4%**	40.8%	

Unit: RMB million

Cost of sales decreased by 15.4% from RMB21,327.9 million for the year ended 28 February 2021 to RMB18,052.1 million for the year ended 28 February 2022. Gross profit of the Group decreased by 5.8% to RMB13,824.4 million for the year ended 28 February 2022 from RMB14,681.1 million for the year ended 28 February 2021.

During the year, the gross profit margin of the Group was 43.4%, increased by 2.6 percentage points, from 40.8% for the year ended 28 February 2021. Increase in gross profit margin primarily resulted in disciplined markdown control of retail operations, improved wholesales discount year-on-year, as well as more integrated cooperation with the brand partners.

Selling and distribution expenses for the year ended 28 February 2022 were RMB9,438.5 million (2021: RMB9,655.3 million), accounting for 29.6% of the Group's revenue (2021: 26.8%). The selling and distribution expenses primarily include concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores, sales personnel salaries and commissions, other depreciation and amortization charges, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Increase in sales and distribution expenses as a percentage of revenue was mainly due to (i) the adverse impact of the pandemic and global supply chain disruption on sales which increased operating deleverage, (ii) decrease in the rent concessions and the government policy of provisional reduction and exemption of social insurance premium as the impact of the pandemic during the year.

General and administrative expenses for the year ended 28 February 2022 were RMB1,293.3 million (2021: RMB1,242.8 million), accounting for 4.1% of the Group's revenue (2021: 3.5%). The general and administrative expenses primarily include lease expenses in relation to office premises, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Increase in general and administrative expenses primarily due to decrease in the government policy of provisional reduction and exemption of social insurance premium as the impact of the pandemic during the year.

Finance income decreased from RMB140.7 million for the year ended 28 February 2021 to RMB113.8 million for the year ended 28 February 2022. Decrease in finance income was mainly due to decrease in interest income, partly offset by exchange gains, as the average balance of bank deposits for the year ended 28 February 2022 was lower than last year.

Finance costs decreased from RMB279.3 million for the year ended 28 February 2021 to RMB217.8 million for the year ended 28 February 2022, primarily as a result of 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 2022 were lower than last year.

Income tax expense for the year ended 28 February 2022 amounted to RMB879.6 million (2021: RMB1,080.7 million). The effective income tax rate decreased by 1.7 percentage points to 26.4% for the year ended 28 February 2022 from 28.1% for the year ended 28 February 2021 was attributable to more subsidiaries in the PRC entitled higher profit tax incentives during the year. The statutory income tax rate for the Group in Mainland China is generally 25% and the Company provided withholding tax provision on the profits retained by the subsidiaries in the PRC.

OTHER INCOME

Other income for the year ended 28 February 2022 amounted to RMB327.3 million (2021: RMB232.0 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 2022, the total capital expenditure was RMB701.6 million (2021: RMB588.3 million).

BASIC EARNINGS PER SHARE

Basic earnings per share for the year ended 28 February 2022 decreased by 11.7% to RMB39.45 cents from RMB44.67 cents for the year ended 28 February 2021.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB2,446.5 million for the year ended 28 February 2022 (2021: RMB2,770.1 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (2021: 6,201,222,024 shares).

		Year ended	
		28 February 2022	28 February 2021
Profit attributable to the Company's equity holders	RMB million	**2,446.5**	2,770.1
Weighted average number of ordinary shares for the purpose of basic earnings per share	thousand of shares	**6,201,222**	6,201,222
Basic earnings per share	RMB cents	**39.45**	44.67

LIQUIDITY AND FINANCIAL RESOURCES

During the year, net cash generated from operations increased by RMB936.8 million to RMB6,592.3 million for the year ended 28 February 2022 from RMB5,655.5 million for the year ended 28 February 2021.

Net cash used in investing activities for the year ended 28 February 2022 was RMB671.3 million (2021: net cash generated from RMB2,097.7 million). During the year, the Group invested RMB716.4 million on payments for purchases of property, plant and equipment and intangible assets and placement of other bank deposits of RMB1,000.0 million, offset by proceeds from disposals of property, plant and equipment of RMB3.2 million, withdrawal of other bank deposits of RMB1,000.0 million and interest received of RMB41.9 million.

During the year, net cash used in financing activities was RMB4,494.4 million (2021: net cash used in RMB8,398.3 million), mainly attributable to the repayments of bank borrowings of RMB5,152.1 million, payments for lease liabilities (including interest) of RMB2,117.2 million, payments of the 2020/21 final dividend of RMB744.1 million and payments of the 2021/22 interim dividend of RMB806.2 million by the Group during the year, partly offset by proceeds from bank borrowings of RMB4,347.6 million.

As at 28 February 2022, the Group held bank balances and cash totaling RMB1,752.6 million, after netting off the short-term borrowings of RMB518.2 million, it was in a net cash position of RMB1,234.4 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.

GEARING RATIO

As at 28 February 2022, 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 had a net cash position (2021: net cash position) and the aggregate balances of long-term pledged bank deposits and bank balances and cash exceeded the total balance of short-term borrowings by RMB2,234.4 million (2021: RMB891.6 million).

PLEDGE OF ASSETS

As at 28 February 2022, 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 2022, 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 2022.

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 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 28 February 2022, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

HUMAN RESOURCES

As at 28 February 2022, the Group had a total of 40,913 employees (2021: 40,348 employees). For the year ended 28 February 2022, total staff cost was RMB3,463.7 million (2021: RMB3,172.9 million), accounting for 10.9% (2021: 8.8%) of the Group's revenue. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Details of the exposure to fluctuations in exchanges rates of the Group as at 28 February 2022 are set out in note 3.1(a) to the consolidated financial statements.

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 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding 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 11 and on pages 12 to 16 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 11 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 2022 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 77 to 139.

The Board declared on 28 October 2021 an interim dividend for the year ended 28 February 2022 of RMB13.00 cents or equivalent to HK$15.65 cents per ordinary share, totaling RMB806.2 million. The interim dividend was paid on 16 December 2021.

The Board recommended the payment of a final dividend for the year ended 28 February 2022 of RMB7.00 cents or equivalent to HK$8.09 cents per ordinary share (the "Final Dividend"), totaling RMB434.1 million and a special dividend for the year ended 28 February 2022 of RMB23.00 cents or equivalent to HK$26.58 cents per ordinary share (the "Special Dividend", together with the Final Dividend, the "Dividends"), totaling RMB1,426.3 million.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the "AGM") will be held on Monday, 1 August 2022. The notice of the AGM will be sent to shareholders on Wednesday, 29 June 2022.

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

(a) For the purpose of ascertaining shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 27 July 2022 to Monday, 1 August 2022 both days inclusive. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Tuesday, 26 July 2022.

(b) The Dividends will be payable on or about Thursday, 25 August 2022 to the shareholders whose names appear on the register of members of the Company on Wednesday, 10 August 2022. For the purpose of ascertaining shareholder's eligibility for the Dividends, the register of members of the Company will be closed from Saturday, 6 August 2022 to Wednesday, 10 August 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned Dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 p.m. on Friday, 5 August 2022.

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 140 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 2022. 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 2022, distributable reserves of the Company amounted to RMB19,003.8 million (2021: RMB21,238.4 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 2022 amounted to RMB0.1 million (2021: RMB0.3 million).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment of RMB667.6 million (2021: RMB571.5 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 2022 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 6.5% of the Group's total sales for the year.

Purchases from the Group's five largest suppliers accounted for approximately 95.8% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 59.0% 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

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

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 person 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.

In addition, pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. YU Wu, Ms. HU Xiaoling and Mr. HUANG Victor 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 2021/22 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 of the Company as at the date of this report are set out on pages 28 to 32 of this report.

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 Directors 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 from 10 October 2019 (the "Listing Date") (in respect of Mr. YU Wu) and 27 October 2020 (in respect of Mr. LEUNG Kam Kwan), 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 from 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 service 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 2022.

Particulars of Directors' interests in transactions, arrangements or contracts of the Group as at 28 February 2022 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 2022, none of the Directors or chief executive of the Company 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 (Cap. 571 of the Laws of Hong Kong) (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 respective spouses or children under 18 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 2022, the following persons (other than the Directors and chief executive 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 our Company[1]
HHBH Investment, L.P. [2]	Interest in controlled corporation	2,163,605,107	34.89%
Hillhouse Investment Management, Ltd. [2]	Interest in controlled corporation	2,163,605,107	34.89%
Hillhouse HHBH Holdings Limited ("Hillhouse HHBH") [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 ("WMVL")	Beneficial owner	1,254,616,510	20.23%
Credit Suisse Trust Limited ("CTS") [3]	Trustee	778,859,227	12.55%

Notes:

(1) As at 28 February 2022, the total number of issued shares of the Company was 6,201,222,024.

(2) Hillhouse HHBH 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 Investment 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 778,859,227 shares in its capacity as the trustee of these shares.

Save as disclosed herein, as at 28 February 2022, the Directors are not aware of any persons (not being a Director or chief executive of the Company) having or being 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 children under 18 years of age, 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 are set out in note 30 to the consolidated financial statements. Details of any related party transactions which constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules are disclosed below.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the financial year, the Group entered into certain transactions which constituted continuing connected transactions (as defined in the Listing Rules) of the Company which are not exempted from the 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 e-commerce services which include, but are 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 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 sales on all the relevant online sales platforms (the "Operation Related Services Fee" and 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 be offered from other independent third party service providers. The E-commerce Services Framework Agreement was effective from the Listing Date until 28 February 2022.

The annual cap for the E-commerce Services Fees payable by the Group under the E-commerce Services Framework Agreement for the year ended 28 February 2022 was RMB304.0 million.

The total amount incurred by the Group under the E-commerce Services Framework Agreement for the year ended 28 February 2022 was approximately RMB61.2 million.

Belle International is an associate of Hillhouse HHBH and WMVL, which indirectly hold 44.48% and 46.36% of Belle International, respectively, as of the date of this report. Each of Hillhouse HHBH and WMVL is a substantial shareholder of the Company and therefore Belle International is a connected person of the Company. The E-commerce Services Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Hillhouse HHBH is a company ultimately controlled by Hillhouse Fund III, L.P. and the sole investment manager of Hillhouse Fund III, L.P. is Hillhouse Investment Management, Ltd. The ultimate beneficial owners of WMVL comprise Mr. YU Wu and Mr. SHENG Fang, each a Director, and other senior management members of the Group and its affiliates (together, the "Management Shareholders"), whose shareholding interests in WMVL are diverse. None of the Management Shareholders is entitled to control, directly or indirectly, 30% or more of the voting rights in WMVL.

(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 24,600 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 2022. 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 2022 was RMB42.1 million.

The total amount incurred by the Group under the Property Leasing Framework Agreement for the year ended 28 February 2022 was approximately RMB32.3 million.

Belle International is a connected person of the Company and therefore 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, 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 required 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 was effective from the Listing Date until 28 February 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 2022 was RMB679.0 million.

The total amount incurred by the Group under the Logistics Services Framework Agreement for the year ended 28 February 2022 was approximately RMB355.9 million.

Li Xun is wholly-owned by Belle International and therefore 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, the Property Leasing Framework Agreement and the Logistics Services Framework Agreement, please refer to the section headed "Connected Transactions" of the prospectus of the Company dated 26 September 2019 (the "Prospectus").

On 28 February 2022, the Company entered into new framework agreements to renew the Property Leasing Framework Agreement and the Logistics Services Framework Agreement, respectively, for a term from 1 March 2022 to 31 May 2024. For further details of the new framework agreements, please refer to the announcement of the Company dated 28 February 2022.

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; 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; or

(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 were 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 2022:

Intended use of Net Proceeds as stated in the Prospectus	Net Proceeds HK$ million	Utilized amount HK$ million
Investing in technology initiatives to accelerate the digital transformation of the business	800.0	800.0
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	7,689.0

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 71 of this report.

SUBSEQUENT EVENT

Saved as disclosed above, there are no other significant events subsequent to 28 February 2022 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 2022 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, 29 June 2022

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. YU Wu (于武) ("Mr. Yu"), aged 55, is an executive Director and the chief executive officer of the Company. Mr. Yu joined the Group in June 2006 and was appointed as a Director in September 2018. On 20 June 2019, he was re-designated as an executive Director and appointed as the chief executive officer of the Company. Mr. Yu is a member of the nomination committee and remuneration committee of the Board. Mr. Yu holds directorships in certain subsidiaries of the Group.

Mr. Yu has more than 27 years of experience in the footwear and sportswear businesses. He is primarily responsible for the overall strategic planning of the Group and overseeing the management of the Group's business. Since June 2006, Mr. Yu has been responsible for overseeing the business of Belle International Holdings Limited ("Belle International") in the Greater Shandong and Henan Region and was appointed as the president of the sportswear business of Belle International in 2015. In July 2015, he was appointed as a director of Belle International which was listed on the Main Board of the Stock Exchange until its privatization in July 2017.

Mr. Yu graduated from Shandong Jianzhu University (山東建築大學) (formerly known as Shandong Institute of Architectural Engineering (山東建築工程學院)) in China in June 1989 with a bachelor of engineering degree in civil engineering.

Mr. LEUNG Kam Kwan (梁錦坤) ("Mr. Leung"), aged 58, is an executive Director and the company secretary of the Company. Mr. Leung joined the Group in June 2006, and was appointed as the company secretary of the Company in May 2019 and 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, implementation of decisions and policies in regards to the Group's overall business plans as approved by the Board and the chief executive officer of the Company, and managing the Group's trading business in Hong Kong. Since June 2006, he has served as the company secretary of Belle International. Prior to joining the Belle International in September 2004, Mr. Leung held senior positions in the 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 Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

NON-EXECUTIVE DIRECTORS

Mr. SHENG Baijiao (盛百椒) ("Mr. Sheng"), aged 70, joined the Group in June 2006 and was appointed as a non-executive Director on 20 June 2019. He was further appointed as the chairman of the Board on 6 September 2019.

Mr. Sheng has more than 30 years of experience in the footwear industry. He is primarily responsible for providing advice on the business development of the Group and participating in significant business decisions of the Group. Mr. Sheng is a director and the chief executive officer of Belle International, and is responsible for high-level strategic planning and management of retail sales of its footwear segment. He is an uncle of Mr. Sheng Fang, another non-executive Director.

Mr. SHENG Fang (盛放), aged 49, joined the Group in June 2006 and was appointed as a non-executive Director on 20 June 2019.

Mr. Sheng Fang has more than 20 years of experience in the management of the footwear business. He is primarily responsible for participating in significant business decisions of the Group. In May 2011, Mr. Sheng Fang was appointed as a director of Belle International, which was listed on the Main Board of the Stock Exchange until its privatization in July 2017, and is mainly responsible for the operation management of the footwear and apparel business of Belle International. He has been the president of the apparel business and the president of the footwear business of Belle International since November 2015 and July 2017, respectively. Mr. Sheng Fang has also served as a non-executive director of Baroque Japan Limited (a company listed on the Tokyo Stock Exchange, stock code: 3548) since August 2013. He is a nephew of Mr. Sheng Baijiao, another non-executive Director.

Ms. YUNG Josephine Yuen Ching (翁婉菁) ("Ms. Yung"), aged 38, joined the Group and was appointed as a non-executive Director on 20 June 2019. She is responsible for participating in the decision-making of important matters of the Group.

Ms. Yung is an associate general counsel at Hillhouse Investment and has more than 10 years of experience in advising on corporate transactions. Prior to joining Hillhouse Investment in 2018, she practiced as an attorney at leading international law firms, including Ropes & Gray, Weil, Gotshal & Manges and Linklaters. Ms. Yung received her bachelor of arts degree in economics in October 2008, juris doctor's degree in June 2008 and bachelor of arts degree 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.

Ms. HU Xiaoling (胡曉玲) ("Ms. Hu"), aged 51, 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 the decision-making of important matters of the Group.

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

Ms. Hu is currently a director of Belle International (which was listed on the Main Board of the Stock Exchange from May 2007 to July 2017), and a non-executive director of Dali Foods Group Company Limited (a company listed on the Main Board of the Stock Exchange, stock code: 3799) and Baroque Japan Limited (a company listed on the Tokyo Stock Exchange, stock code: 3548). Ms. Hu is also a director of Hangzhou Beika Industrial Co., Limited. Ms. Hu previously served as a director of Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code 000333) from August 2012 to August 2017, Anhui Yingliu Electromechanical Co., Limited (a company listed on the Shanghai Stock Exchange, stock code: 603308) from March 2011 to April 2017, and Sunac China Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1918) from November 2007 to August 2014. She also served as a director of Beijing Motie Book Corporation Company from July 2010 to December 2017.

Ms. Hu graduated from Beijing Jiaotong University (北京交通大學) (formerly Northern Jiaotong University (北方交通大學)) in China with a bachelor's degree in economics and master's degree in economics and accounting. She is also a fellow of the Association of Chartered Certified Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LAM Yiu Kin (林耀堅) ("Mr. Lam"), aged 67, was appointed as an independent non-executive Director on 20 June 2019 with effect from 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 of the Board.

Mr. Lam was a partner of PricewaterhouseCoopers from July 1993 to June 2013. Mr. Lam graduated from the Hong Kong Polytechnic (currently The Hong Kong Polytechnic University) with a higher diploma in accountancy in October 1975 and was conferred with the title of Honorary Fellow of The Hong Kong Polytechnic University in November 2002. He has been an associate of The Hong Kong Chartered Governance Institute 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. (a company dual listed on the Main Board of the Stock Exchange, stock code: 1349, and the Star Market of the Shanghai Stock Exchange, stock code: 688505) since October 2013, Spring Real Estate Investment Trust (a company listed on the Main Board of the Stock Exchange, stock code: 1426) since January 2015, Global Digital Creations Holdings Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8271) since July 2015, Shougang Century Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 103) since August 2015, COSCO SHIPPING Ports Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1199) since August 2015, Nine Dragons Paper (Holdings) Limited (a company listed on the Main Board of the Stock Exchange, stock code: 2689) since March 2016, WWPKG Holdings Company Limited (a company listed on the Growth Enterprise Market of the Stock Exchange, stock code: 8069) since December 2016, and CITIC Telecom International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1883) since June 2017. He previously served as an independent non-executive director of Vital Innovations Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6133) from September 2014 to October 2020 and Bestway Global Holding Inc. (stock code: 3358, voluntarily withdrawn its listing in Hong Kong on 12 October 2021) from October 2017 to December 2021.

Mr. HUA Bin (華彬) ("Mr. Hua"), aged 50, 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 of the Board.

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's degree in economics from Beijing International Studies University in China in July 1993. He obtained a master of business administration degree 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 51, was appointed as an independent non-executive Director on 20 June 2019 with effect from 26 September 2019. Mr. Huang is responsible for supervising and providing independent judgment to the Board. He is the chairman of the nomination committee and a member of the audit committee of the Board.

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 28 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 bachelor of arts degree 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 Beijing Enterprises Clean Energy Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1250) since May 2022; New Times Energy Corporation Limited (a company listed on the Main Board of the Stock Exchange, stock code: 166) and COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed on the Main Board of the Stock Exchange, stock code: 1138) since June 2020; Scholar Education Group (a company listed on the Main Board of the Stock Exchange, stock code: 1769) since June 2019; ManpowerGroup Greater China Limited (a company listed on the Main Board of the Stock Exchange, 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 was 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, both companies of which are listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of Evergrande Property Services Group Limited (a company listed on the Main Board of the Stock Exchange, stock code: 6666) from November 2020 to November 2021.

SENIOR MANAGEMENT

Mr. ZHANG Qiang (張強) ("Mr. Zhang"), aged 49, 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 mono-brand business line operation 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 49, joined the Group in June 2006 and was appointed as a vice president of the Company on 20 June 2019. He is primarily responsible for the multi-brand business line operation and channel management.

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

Mr. DING Chao (丁超) ("Mr. Ding"), aged 35, joined the Group in January 2020 and was appointed as a vice president of the Company in January 2022. Mr. Ding is primarily responsible for managing the innovative businesses of the Group.

In December 2017, Mr. Ding joined the Belle International Group and was mainly responsible for strategy and corporate development. He subsequently joined the Group in 2020, and was appointed as head of strategy and investments in 2021. Prior to joining the Belle International Group, Mr. Ding was a management consultant at Boston Consulting Group.

Mr. Ding obtained a master of business administration degree from INSEAD (Institut Européen d'Administration des Affaires) in France in July 2016.

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.

On 1 January 2022, the amendments to the CG Code came into effect and the requirements under the new CG code will apply to corporate governance reports for financial year commencing on or after 1 January 2022. The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the new CG Code.

CODE PROVISION A.5.1

Pursuant to the amendments made to the CG Code and the Listing Rules during the financial year ended 28 February 2022, the previous code provision A.5.1 of the CG Code in relation to the composition of nomination committee has been replaced with a new Rule 3.27A of the Listing Rules with effect from 1 January 2022.

Under the previous 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. During the financial year ended 28 February 2022, Mr. YU Wu, an Executive Director, served as the chairman of the Nomination Committee. Given Mr. YU Wu is responsible for the day-to-day management and operations of the Group and has extensive expertise and insight to sportswear industry, the Board considered that Mr. YU Wu was the suitable candidate to serve as the chairman of the Nomination Committee.

In view of the amendments to the CG Code and the Listing Rules, Mr. HUANG Victor, an Independent Non-executive Director, has replaced Mr. YU Wu to serve as the chairman of the Nomination Committee, and as of the date of this report, the Company is fully compliant with the requirements under Rule 3.27A of the Listing Rules.

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 2022, save for the previous code provision A.5.1 of the CG Code as disclosed above.

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 2022, 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 of Hong Kong Limited (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 Directors 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 2022, 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)*	5/5	N/A	1/1	1/1
Mr. LEUNG Kam Kwan#	5/5	N/A	N/A	N/A
Mr. SHENG Baijiao^ *(Chairman)*	5/5	N/A	N/A	N/A
Mr. SHENG Fang^	5/5	N/A	N/A	N/A
Ms. YUNG Josephine Yuen Ching^	5/5	N/A	N/A	N/A
Ms. HU Xiaoling^	5/5	N/A	N/A	N/A
Mr. LAM Yiu Kin@	5/5	2/2	1/1	1/1
Mr. HUA Bin@	5/5	2/2	1/1	N/A
Mr. HUANG Victor@	5/5	2/2	N/A	1/1

Executive Director
^ Non-executive Director
@ Independent Non-executive Director

For the year ended 28 February 2022, the Company convened one general meeting, being the annual general meeting held on 20 July 2021 which all Directors attended.

Under the code provision C.5.1 of the CG Code, Board meetings should be held at least four times a year at approximately quarterly intervals.

For the year ended 28 February 2022, the Board convened a total of five 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 28 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 provided training and briefing sessions to all the Directors during the year ended 28 February 2022, 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 B.2.2 of the CG Code stipulates 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.

In addition, pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Accordingly, Mr. YU Wu, Ms. HU Xiaoling and Mr. HUANG Victor will retire from office at the annual general meeting of the Company (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 D.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 twice during the year ended 28 February 2022. All members of the Audit Committee attended the meetings. Going forward, the Audit Committee 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 2022 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 2022 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 once during the year ended 28 February 2022. 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. HUANG Victor, Mr. YU Wu and Mr. LAM Yiu Kin, two of whom are Independent Non-executive Directors. The chairman of the Nomination Committee is Mr. HUANG Victor.

The Nomination Committee met once during the year ended 28 February 2022. 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, 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 2022, 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 72 and 76.

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 28 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 2022 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 2022, 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 2021 to 28 February 2022 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 2022, 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 Company;

- 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 2022 were RMB5.2 million and RMB0.6 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 2022.

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 2022, 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), quarterly operational updates, 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 2021 to 28 February 2022.

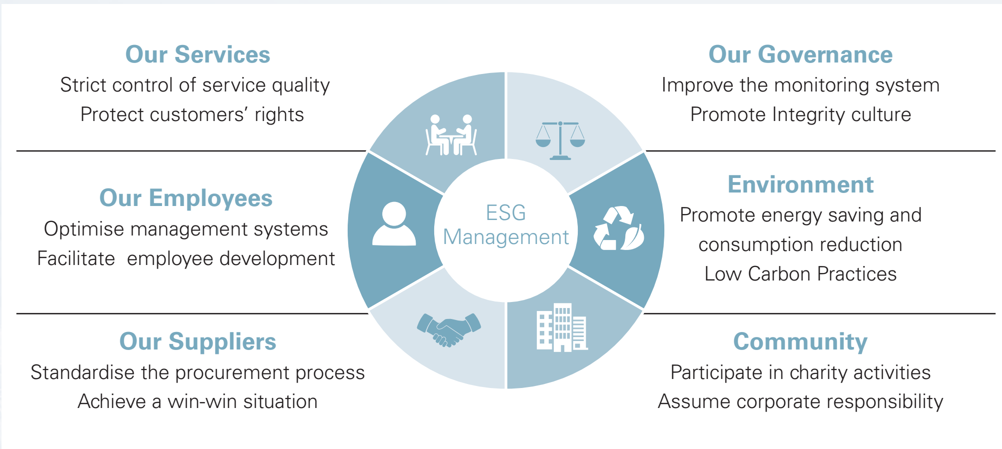
Preparation standards of the report

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 ESG issues of interest to its stakeholders.

Principles		The Group's response
Materiality	The report should cover areas that reflect the corporate'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 current year's KPIs, 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 quantitative information disclosure.
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.

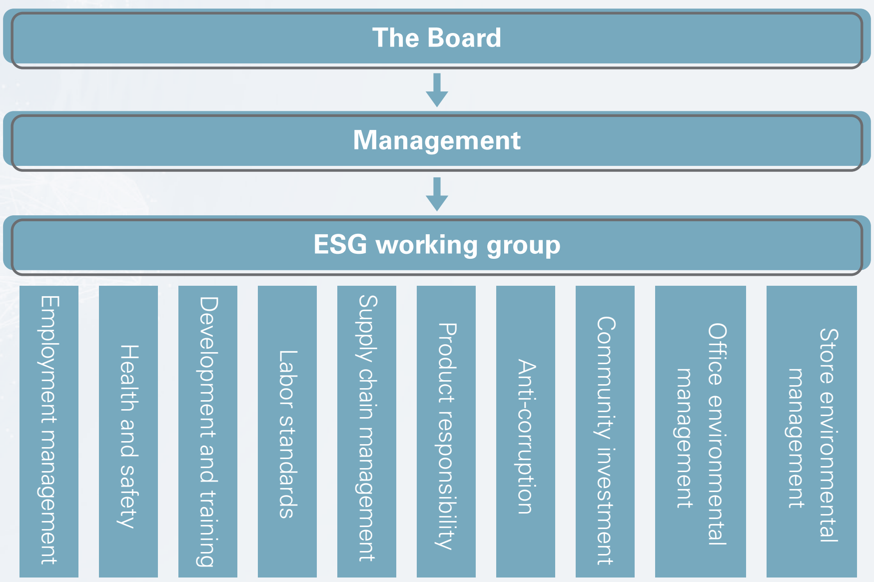
2. ESG Management

The Group has always adhered to the mission of "breaking boundaries through sports and inspire limitless possibilities", through building a consumer-focused, cross-site sports retail service platform; and together with partners to provide consumers with first-class products and services by taking advantages of technology, so as to create boundless, positive, healthy and joyous life experiences inspired by sports for consumers. The Group understands the importance of fulfilling its corporate social responsibility in achieving sustainable development, and has integrated the expectations of its stakeholders with its business characteristics to focus on six core ESG areas and implement corresponding management measures to drive the Group's stable and sustainable development.



2.1 ESG Management Structure

As the leadership of ESG management, the Board assumes the top management function in the ESG work, being responsible for supervising the revision and implementation of the Group's ESG management strategy and allocating resources to ensure effective operation of ESG risk management. At the same time, the Board and the senior management discuss the risks and opportunities of issues related to sustainable development, review the performance of ESG work and are responsible for reviewing and formally approving the annual ESG report. The relevant functional departments of the Group are responsible for implementing specific works under the ESG strategy, arranging the persons in charge to supervise the progress of ESG work, and regularly collecting relevant quantitative indicators and data, so as to provide an information basis for the Board and the management to review the ESG management progress.



2.2 Stakeholders Communication

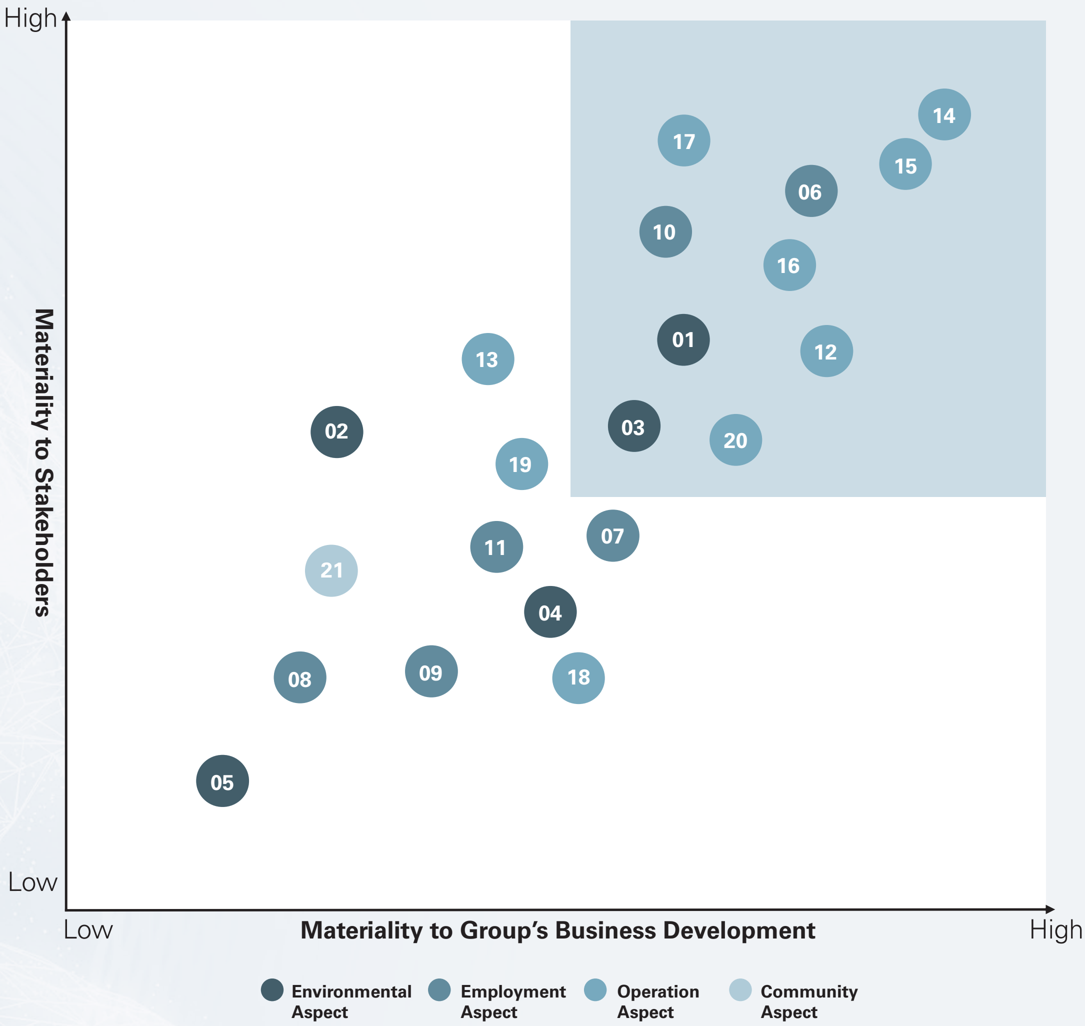
The Group acknowledges the importance of communicating with stakeholders to promote the sustainable development process of the Group. We have an in-depth understanding of the expectations and demands of various stakeholders through different communication channels, review the Group's performance in the areas concerned by stakeholders, and adjust the Group's operating strategies in a timely manner based on feedback to further improve ESG management.

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

2.3 Materiality Assessment

In order to fully reflect the importance of various ESG issues to the Group's business development, the Group has formulated a list of ESG issues, engaged third-party consultants to review and examine, and evaluated the importance of each ESG issue this financial year based on stakeholder communication and industry analysis results, so as to determine ESG management goals of the Group in the future.

Set out below is the ESG materiality matrix of the Group for the financial year:



Environmental	Employment	Operation	Community
01 Usage of packaging materials	**06 Employee recruitment and team building**	**12 Procurement management**	21 Social charity
02 Waste management	07 Employee remuneration and benefits	13 Environment and social risk management of supply chain	
03 Green operation in stores	08 Equal participation and diversity	**14 Product quality and health**	
04 Tackling climate change	09 Occupational health and safety	**15 Consumer service and satisfaction**	
05 Improving water efficiency	**10 Staff training and development**	**16 Consumer information security**	
	11 Employee rights and interests protection	**17 Compliance marketing**	
		18 Intellectual property protection	
		19 Compliance and steady operation	
		20 Anti-corruption and integrity operation	

From the results of the materiality assessment, it can be seen that the stakeholders of the Group pay high attention to the issues in the aspects of employment and operation management. With reference to the above results, the Group will formulate ESG management goals and work plans for the next financial year, and will specifically address on key issues in this report in respond to the concerns of various stakeholders.

3. Our Services

The Group is committed to providing consumers with high-quality products and services. In strict compliance 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》), the Group implements product quality assurance and consumer rights and interests protection measures. It provides high-quality sportswear products through standardized management to build a good brand reputation and to enhance consumer experience. For the financial year, the Group did not involve in any violations of laws and regulations related to product liability.

3.1 Product Quality Management and Control

The Group always regards product quality as the cornerstone of its business development. It strictly implements its internal product management system, clarifies the quality management responsibilities of each department, and strengthens product inspections at all links to ensure that product quality complies with the corresponding national standards. We are committed to providing consumers with diversified products and high-quality services, always uphold the spirit of taking full responsibility for products to carry out sales business, and promise to provide consumers with safe and healthy products to improve consumer satisfaction. We have established a complete return and exchange processing process to ensure timely response to consumers' return and exchange needs and continuous tracking of processing results. In response to consumer feedbacks, we will carefully analyze the problems, put forward suggestions for improvement, and urge relevant responsible departments to implement rectification as soon as possible to protect consumers' rights and interests to the greatest extent.

3.2 Excellent Services

Excellent consumer services

The Group is committed to providing consumers with high-quality services and a pleasant shopping experience. We have formulated a series of measures to improve the customer service mechanism, covering customer service language optimization, channel optimization, and review analysis, etc., which are conducive to handling customer complaints efficiently and conveniently. For the financial year, the Group received and properly handled 161 complaints. We handle customer complaints in accordance with our internal systems and process standards, and additionally establish a fast consumer service channel in the form of Mini Program Registration, so that employees can take the initiative to contact consumers to solve complaints or after-sales problems, which greatly improve work efficiency. We also regularly conduct excellent case sharing and relevant data analysis to strengthen service quality in a point-to-point manner.

At the same time, the Group carries out store research and visit projects to collect consumers' comments on the store environment, reception process and service experience, analyze existing problems based on the feedbacks, and optimize store services according to consumer needs, so as to improve consumer satisfaction. We have specially set up a training department to carry out systematic business training and course assessment for store employees, focusing on sales skills and conference information communication, so as to strengthen the comprehensive ability of store employees and improve the quality of store operations.

Digital after-sales management

The Group adopts digital platforms such as the online return and exchange approval system for after-sales management, standardizes the after-sales operation process of products, and realizes order filing, traceability and verification, which is convenient for internal control. In order to improve service efficiency, we have further updated the digital return and exchange process, increased the proportion of automation in the operating system, and efficiently processed after-sales orders through digital management and control, reducing the error rate of human operations and improving the shopping experience of consumers.

3.3 Consumers Privacy Protection

The Group is highly concerned with the privacy of consumers and strictly complies with the requirements of laws and regulations such as the Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Data Security Law (《數據安全法》) and the Personal Information Protection Law (《個人信息保護法》). The Group has established a comprehensive information security management system, adopted multiple security technologies and standardized the operational procedures for employees, so as to protect consumer information security.

For employee management, the Group urges employees to work in accordance with the Group's system requirements and to strictly protect consumers' personal information. We keep enhancing employees' awareness of information security through regular training related to and assessment on network information security, constant education in respect of the confidentiality obligation of consumer information. In addition, customer service personnel are required to sign the Customers Privacy Protection Agreement of Topsports (《滔搏消費者隱私保護協議》) and strictly comply with the terms thereof. Disclose or reveal consumers' personally identifiable information is prohibited without their authorization.

For technical management, the Group exercises strict control over the access and use of consumer information with various measures such as access control, ID authentication, back-end operating log and authorization mechanism. We adopt real-time QR code for member entry and information access to prevent arbitrary retrieval and unauthorized alteration of member information, while conduct data desensitization for all consumer information within the platform to minimize the risk of information leakage.

3.4 Compliance Marketing

The Group scrupulously abides by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Interim Measures for the Administration of Internet Advertising (《互聯網廣告管理暫行辦法》) and other laws and regulations, and has formulated regulations and guidelines such as the Regulations on the Administration of External Publicity (《對外宣傳管理規定》), the Compliance Guidelines on Advertising Promotion (《廣告促銷合規指引》) and the Compliance Guidelines on Data (《數據合規指引》) to ensure that the content of external publicity is legal and regulated.

The Group strictly manages the content and process of marketing and promotion on each platform. We keep abreast of the latest industrial development and produce marketing advertisements in accordance with the latest laws and regulations at the early stage of promotion. We are committed to resisting price fraud and false advertising through multiple material reviews to ensure the authenticity and reliability of advertising content. Advertisements once released will be subject to regularly sampling inspections on content by the quality control department, which is designed to avoid the dissemination of inappropriate information and ensure enhancement of our brand reputation on the basis of benign publicity. In addition, the Group provides trainings on advertising laws for marketing employees upon their induction and conducts regular trainings on advertising promotions and compliance against material issues, so as to facilitate all departments to familiarize with industry policies and the external environment, cultivate employees' awareness of compliance marketing and effectively safeguard the legitimate rights and interests of consumers.

4. Our Employees

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》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and other laws and regulations, and has formulated and fully implemented human resources management system, continuously improved employee promotion and development mechanism and employees' health and safety management system, which creates a diversified, equal and inclusive working environment for employees and support them realizing personal value. During the financial year, the Group did not involve in any material violations of laws and regulations related to employment.

4.1 Employee Employment

Labor Rights and Interests Protection

The Group has implemented relevant management systems in accordance with such laws and regulations as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) 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 promote fair employment and protect the legal rights and interests of employees. We are committed to creating a diverse workforce where equal opportunities will be offered to everyone in recruitment, promotion and training and no employee will be discriminated or treated differently due to his/her ethnicity, nationality, gender, education, age, physical condition, etc. We also provided equal employment opportunities for the disabled with certain suitable positions available for them. We regulated the recruitment process by conducting exhaustive background checks on new recruits, including verifying their identities and age information, to ensure the truthfulness of their registration information. Besides, we strengthened management for employees' overtime work, and prohibited any forced overtime work in any form. During the financial year, the Group did not have any incidents of child labor or forced labor.

Recruitment and Assessment

Adhering to the people-oriented core concept, the Group continuously improved its recruitment process and recruited talents for the Group through diversified recruitment channels to meet the demands for human resources in its business development. The Group published recruitment information on recruitment websites and other platforms, and opened its official recruitment account to interact with applicants through social software. We also held several on-campus recruitments in colleges and universities at the graduation period in autumn to attract excellent graduates. In response to the current pandemic situation, the Group has vigorously promoted the extensive application of digital recruitment system. During the financial year, the Group further regulated the recruitment process and launched the online recruitment management system, which fully improved the efficiency of resume screening, communication with candidates, sending firm offers and other processes and strengthened the archive management for talents' recruitment information.

The Group attaches great importance to the fairness and impartiality of employee appraisal and promotion. Therefore, the Group has fully implemented the Position Promotion System (《崗位晉級制度》) and established a sound performance appraisal and promotion mechanism. We regularly appraise the KPIs of employees at each position every year and distribute individual performance bonuses based on the KPIs appraisal results, in a bid to mobilize employees' initiatives. Under the principle of "duty-oriented, fact-based, appraisal and evaluation-combined", we formulated work reports plan for promotion, which comprehensively evaluates the professional, general and extension abilities of employees based on their work reports while taking into account their daily performance, potential, competence and discipline, so as to maximize their potential.

Remuneration and Benefits

Employees are vital cornerstone for the Group's development. The Group is committed to developing a fair and transparent remuneration and benefits system and formulating a competitive talent incentive policy, thereby forming a first-class talent team. We remunerate employees based on the prevailing market standard and their qualifications, experience and abilities, and provide incentives as appropriate with reference to their individual performance to fully mobilize employees' initiatives. We contribute to the endowment insurance, basic medical insurance, endowment injury insurance, unemployment insurance, maternity insurance and housing provident fund for employees in accordance with law, and provide them with statutory holidays including annual holidays, annual leave, family reunion leave, and marriage and bereavement leave. In addition to statutory benefits, we also offer employees with various benefits and allowances such as travel allowance and birthday gifts. Set out below is the existing benefits system of the Group:

Statutory benefits

- Social insurances and housing provident fund
- Statutory holidays
- Labor protection supplies (such as anti-pandemic supplies)

Daily allowances

- Phone allowance
- Travel allowance

Care for employees

- Birthday gifts
- Festival gifts
- Entertainment activities
- Checkup

4.2 Employee Development and Training

With the training concept of "Business-oriented to Empower Business Development", the Group has built the training system based on the scenario business and retail terminal business of the Group, to cultivate more smart retail talents. We offered different types of training courses for employees at different positions, so as to effectively enhance the business capability and overall quality of our employees and provide them with opportunities for continuous growth, broadening their career paths and facilitating their comprehensive development. For the financial year, the Group's main efforts in various aspects of the training system are as follows:

Management and Control Model of Training
We revised the management and control structure of training to clarify the training responsibilities of each department. The person in charge of the talent development in each district supervises the training of each community, formulates and implements the training plan, and inspects and evaluates the development of the training, to ensure that the training is in an orderly and efficient manner.

Training Course System
We continuously to optimize our training course system, aimed to create various types of training courses including leadership training, general management training and business training. At the same time, we developed mandatory courses for each key position in the Group, and will further draw job-related learning maps to help employees better acquire and apply job skills.

Training Lecturer System
We focused on building a team of in-house trainers to ensure the quality of training courses. The existing in-house training team of the Group includes more than 100 in-house trainers, all of whom have extensive knowledge reserve and good teaching ability.

Training Instruments
We launched the online training platform "Topsports Academy", which covers 160 training programs and 883 courses, allowing our employees to learn anytime and anywhere. At the same time, this platform contains all training records, which enables the training organizers to follow the training progress in a timely manner and to improve the effectiveness of training management.

For the financial year, the Group successfully carried out several employee trainings. These trainings covered a wide range of regions and aspects and a large number of employees. The types of training mainly included six categories: new employee induction training, position certification training, job skills training, business knowledge training, management training and talent development training. In order to understand employees' satisfaction with the training courses, the Group conducted training satisfaction surveys through questionnaires distributed on its online training platform to identify deficiencies in the design of training programs in a timely manner, and to optimize and adjust training programs based on the feedback from employees.

Case: Position Certification Training Program

For the financial year, the Group conducted wide variety of training courses, in which 36 employees from buying team participated, so as improving their professional skill and knowledge resulted in significantly enhancement on their working ability. Through the courses, senior buyers learned and knew more, in greater details, on basic concepts of brand building, key points of product planning, methodology of trend analysis and creative development, workflow of product development (such as design development and material selection), design inspiration and terminologies on product craftsmanship.


Group Photo of Training


Training Site

Case: Management Training Program

For the financial year, 30 young leaders of the Group, across the country, participated in a series of management training programs, including industry research and case studies on project management, which effectively enlightened and enhanced their analytical ability and problem solving and professional skill in real working environment.


Group Photo of Training


Training Site

4.3 Employee Health and Care

The Group strictly abides by the Law of the People's Republic of China on Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) and other laws and regulations, striving to create a safe, healthy and comfortable working environment for its staff. Under the trend of normalized pandemic prevention and control, we maintain the comprehensive pandemic prevention and control measures to safeguard the health of our employees. In particular, we conduct various kinds of safety training to enhance the safety awareness of our employees while improving their satisfaction by promoting employee communication and giving care.

Normalized Management of the Pandemic

The Group pays close attention to the situation of the COVID-19 pandemic, actively responds to the call of the country by fully implementing normalized prevention and control measures and formulating emergency plans for pandemic prevention and control. All employees and visitors are required to wear masks and have body temperature check when entering and leaving the offices. Offices and retail stores are equipped with sufficient disinfectant hand sanitizer and other pandemic prevention supplies, and regular disinfection is arranged by relevant staff. In the event of a sudden outbreak, the Group will forthwith implement the corresponding emergency plan, coordinate with all departments to arrange pandemic prevention work, and make every effort to protect the health and safety of frontline employees in retail stores.

In addition, the Group implements a flexible working duty to reduce the risk of employee infection, and advocates that employees do not travel unless necessary, and make full use of network communication technology to work remotely. For employees who have to work on site, the Group has developed a health tracking system that requires employees to report their personal travel, quarantine status, body temperature and other information on a daily basis. Through the collection of the daily health reporting information of employees, the Group is able to understand their health status in a timely manner and achieve early detection and prevention. At the same time, the Group carries out a number of psychological consulting activities and provides relevant online courses for employees to help them overcome panic and cope with the challenges of the pandemic with a positive attitude.

Case: Heart-warming Measures during the Quarantine

Due to pandemic prevention and control, more than 500 employees of the Group in Shanghai headquarters were quarantined in the office building for 48 hours. During the quarantine, we carried out various activities to alleviate the anxiety of employees despite the prohibition of inter-floor communication, including surprise birthday parties, sports competitions, etc. In addition, we also served afternoon tea and fruits for the employees who were under quarantine, so that they could feel the warmth from the Group.

Heart-warming Birthday during the Quarantine

Staff Health Protection

For the financial year, the Group invited experts from the University of Traditional Chinese Medicine (TCM) to provide medical inquiry, acupuncture, heat therapy and massage for free to relieve employees' fatigue from their daily work, and actively organized sports activities, such as table tennis and tug-of-war, etc., to encourage employees to participate in sports exercises and pay attention to their health.



TCM Inquiry and Sports Activities

We also focus on the health management of our employees in their daily work, and formulate corresponding preventive measures for potential safety accident-prone scenarios, so as to strengthen the safety education of employees and consolidate the awareness of safety precautions. In case of work-related injuries and fatalities, we will follow the safety accident handling mechanism to properly deal with injured employees in a timely manner and provide compensation and condolences. Subsequently, we will seriously review the causes of accidents and implement corresponding corrective measures whereby strengthening the health and safety management of employees. For the financial year, the number of work-related fatalities of the Group was 1 and the number of days of leave taken for work-related injuries was 3,616. In the past two financial years, the Group did not have any work-related fatalities.

Case: First Aid Training

In order to help our employees dealing with emergencies and accidental injuries properly, we arranged first aid training courses and invited instructors from the Nightingale First Aid Team of Children's Hospital of Shanghai to teach and demonstrate the knowledge of first aid and each participant has to practice under guidance.

First Aid Training Site

Fire Safety Management

The Group attaches great importance to fire safety management and strictly abides by the Fire Safety Law of the People's Republic of China (《中華人民共和國消防安全法》). The Group has formulated and implemented the Fire Safety Management System for Offices and Stores of Topsports International (《滔搏國際辦公室、店鋪消防安全管理制度》) to clarify the fire prevention measures and emergency plans for office areas and retail stores. In order to enhance the fire safety awareness of our staff, the Group elaborately planned and organized fire safety drills in the financial year to consolidate and enhance the staff's fire emergency response and escape abilities.

Fire Safety Drills

Staff Communication and Care

The Group attaches great importance to communication with each staff and has set up various communication channels such as face-to-face communication, social platforms, staff post bar and the "Topsports Academy" cloud learning system, to seriously listen to the opinions and suggestions from our staff, better solve their problems and enhance their sense of identity and belonging to the Group. We care about the lives of our staff and provide timely psychological counseling and financial assistance to staff in need to spread love and warmth to them.

Case: Consoling the disaster-stricken employees in Shanxi

In October 2021, continuous heavy rainfall in Shanxi Province caused serious flooding. The Group learned and was aware the personal safety and properties losses of affected employees, instantly. A team of the Group's representatives was sent, providing psychological comfort to them and their families. Giving a hand to overcome their difficulties, the Group paid each affected employee RMB5,000 sponsor as reconstruction fund.

Representatives of the Group Consoled the Disaster-stricken Employees

5. Our Suppliers

The Group attaches great importance to the quality of products provided by suppliers and is committed to creating a fair and stable supply chain and a harmonious and mutually supportive business environment. The Group has established a comprehensive supplier management system to standardize the supplier access process. The Group also regularly assesses and evaluates the performance of suppliers and eliminates those with substandard products or services to create a high quality supply chain.

The Group looks forward to working with socially responsible partners to promote the sustainable development of the supply chain. We include various management performances such as suppliers' environmental protection and anti-fraud practices in our assessment to strengthen the assessment of their environmental and social risks. In the procurement process, we give priority to green and environmental friendly products and preferentially cooperate with suppliers who have received environmental protection related qualification certifications. At the same time, we have gradually optimized our supply chain anti-fraud monitoring system and signed contracts and commitments with suppliers that include anti-corruption and business ethics-related clauses to eliminate fraud and crack down on unfair competition. If any supplier is found to have violated the laws and regulations, the Group will impose penalties on it or terminate the cooperative relationship in accordance with relevant regulations.

In addition, the Group focuses on maintaining friendly relationships with our suppliers and conducts business with our partners through efficient, convenient and diversified communication channels by making full use of digital technology. We hold regular meetings with suppliers to strengthen business exchanges, formulate sales strategies and strategic objectives, and establish benign cooperative relations with them to work together for win-win and common development.

6. Our Governance

Strictly complying with the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Interim Provisions on Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》), 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 other laws and regulations, the Group continuously strengthens its internal anti-fraud governance and improves the fraud reporting mechanism to prevent fraud, selfishness or corruption from damaging the interests of the Group. The Group has strengthened the protection of intellectual property rights of its partners to prevent infringement of such rights from damaging the reputation of the Group. During the financial year, the Group did not have any fraud-related lawsuits.

6.1 Anti-Fraud and Internal Control Management

The Group continued to strengthen its anti-fraud and internal control management and formulated and implemented the Anti-Fraud Management System (《反舞弊管理制度》) to prohibit corruption, fraud and other illegal and irregular acts. The Audit Department of the Group is responsible for internal control inspections of the Company. It conducts corresponding inspections on matters with potential fraud risks or on the implementation of internal control systems, and makes suggestions for improvement as well as supervises its subsequent implementation. To strengthen the fraud monitoring capability of auditors, Audit Department of the Group conducted internal training, fortnightly experience sharing sessions and project review sessions to study typical cases, so as to identify key audit concerns and share methods and experience relating to risk investigation. The Group has also further improved the conflict of interest reporting mechanism by requiring senior and middle management to report conflict of interest through the internal information system on a quarterly basis.

To raise staff awareness of anti-corruption, the Group continues to provide anti-corruption training and integrity education. Anti-corruption courses are available to employees on the internal online platform, and the relevant departments are responsible for checking and assessing their outcomes. During the financial year, a total of 980 attendances completed online anti-corruption training. Meanwhile, the Group strengthened integrity education for key controller such as regional department manager, cargo control manager and retail managers, including anti-fraud case studies and risk tips. During the financial year, we launched more than 30 integrity campaigns. The Group also added an item of anti-fraud into the staff handbook and required to sign an anti-fraud pledge to highlight the importance of integrity and compliance. The Group adopts a zero-tolerance policy towards illegal acts such as corruption and fraud, and will take serious action when found and take disciplinary measures accordingly.

6.2 Fraud Reporting

The Group continued to improve its fraud reporting procedure by establishing fraud reporting channels such as the Integrity Report QR code and a reporting mailbox, as well as a variety of public methods. These channels can be obtained in staff handbook and internal management information system by all staff or through terminal software and our official website by the public.

The Group's Audit Department is responsible for receiving reports, conducting investigations and reporting the findings to the management. At the same time, the Audit Department carries out fraud investigations by the Integrity Reporting System to systematize the reporting and investigations procedure and ultimately enhancing the efficiency of anti-fraud work. The Group values the protection of whistleblower's private information. In addition to establishing an anonymous reporting mechanism, strict confidentiality measures are in place for whistleblowers' information, such as setting up the management authority of the Integrity Reporting System and reminder of confidentiality obligations, and persons who is authorised to access the reporting system shall sign a confidentiality agreement, thereby to prevent leakage or abuse of whistleblowers' information.

6.3 Intellectual Property Protection

The Group strictly complies with relevant laws and regulations in operation, such as the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Intellectual Property Law of the People's Republic of China (《中華人民共和國知識產權法》) and the Patent Law of the People's Republic of China (《中華人民共和國專利法》), and prohibits the editing, alteration and publication of unauthorized images, text, fonts or musical works to avoid infringement on others' portrait rights, copyrights or patent rights. We strictly enforced the use of publicity images and text and required that all copyright shall be obtained through the proper channels; and we issue notices of use to various departments to manage the relevant materials under authorization period. As for the Group's trademarks, we designate special person to conduct daily management and supervision, and make claims against any identified infringement on the Group's trademarks or names in a timely manner to protect the Group's intellectual property rights.

7. Environment

The Group 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》) and other laws and regulations, and was committed to practicing green and lowcarbon concepts by improving its environmental management system, conducting energy conservation and consumption reduction and cutting waste emissions with an aim to minimize the negative impact of its daily operations on the environment. We incorporated the concept of sustainability into our daily operation to create a green office culture and enhance the environmental awareness of our employees. During the financial year, the Group did not record any violation of laws and regulations related to environmental protection.

7.1 Energy Conservation and Consumption Reduction

The Group attaches great importance to the rational use of water, electricity, paper and other resources. During the financial year, the Group has set targets for energy conservation and consumption reduction, continuously improved its energy consumption management system, and strictly implemented corresponding management measures for the use of resources and energy such as electricity, water, office supplies, official vehicles and packaging materials. Meanwhile, the Group's human resources and administration department was in charge of inspecting the implementation of environmental management measures of each department from time to time every month to urge them to effectively perform the work of energy conservation and consumption reduction.

The Group's environmental targets regarding energy conservation and emission reduction, use of consumables and water conservation are as follows:

Energy conservation and emission reduction

Actively explore energy-saving technology and the operation mode of low-energy consuming and sustainability, and vigorously promote green operation and office;
Enhance energy efficiency, encourage green travelling and reduce greenhouse gas emissions.

Use of official consumables

Cut down on the use of office paper, ink cartridges and packaging materials;
Improve the reuse rate of consumables and strengthen the awareness of resource recycling.

Water conservation

Strengthen the daily maintenance and management of water facilities and equipment, and promote water conservation measures;
Raise employees' awareness of water conservation and make proper use of water resources.

With a view to fulfilling the above environmental targets, the Group has comprehensively implemented the following green operation measures:

Low carbon and energy saving

01 Employees are required to cut off the power in all office areas and switch off the lights when they leave;

02 Arrange relevant personnel to inspect the use of electricity in the office area;

03 Priority chose the energy-saving appliances and equipment;

04 Increase natural lighting in office areas to reduce electricity consumption;

05 Strictly control the operation time and temperature setting of air conditioner to avoid ineffective use of air conditioner.

Green travel

01 Encourage employees to travel in a green way and travel by public transportation;

02 Comprehensively promote online video conferencing to reduce unnecessary business trips;

03 Continuously strengthen the quota management of fuel for official vehicles and intensively apply the "one card for one car" refueling mode to reduce fuel consumption;

04 Periodically carry out routine maintenance for official vehicles to improve operating efficiency.

Office supplies management

01 Promote a paperless office model where internal materials are circulated electronically, thereby reducing the use of printed paper;

02 Record the application and purchase quantity of office supplies of each store, and use office supplies according to needs to reduce waste;

03 Actively advocate the reuse of office supplies, and the remaining office supplies will be sorted by retail stores from time to time and returned to the office for redistribution to enhance the utilization efficiency.

Use of packaging materials

Topsports' Eco-friendly Paper Bags

In order to minimize environmental pollution, pure wood-pulp paper made shopping bags, which could be degraded, were used in the Group's stores. With online shopping bag management system, orders are managed in great accuracy avoiding overstock at the stores level and waste of resources.

Water conservation

01 Post tips related to efficient use of water at water dispensers and toilets to remind employees on the proper use of water;

02 When watering the greenery in the office area, the cleaning staff are required to use water rationally according to the size and quantity of the greenery to avoid overflowing and wasting water;

03 Check the condition of water equipment from time to time to avoid wastage of water resources caused by dripping or leaking pipes.

7.2 Waste Management

The Group strictly complies with the laws and regulations such as the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) and properly disposes of waste generated in the course of operation, and continuously strengthens the ability to collect, sort, recycle and reuse waste to improve the utilization rate of recyclable resources as well as to reduce the waste. At the same time, we continue to strengthen education and propaganda related to waste reduction and waste sorting to help employees cultivate the awareness and habit of waste sorting and disposal.

The waste generated by the Group can be categorized into non-hazardous waste and hazardous waste. Our non-hazardous waste is mainly office waste, which is collected by setting up trash bins in office areas. At the same time, paper collection box is placed next to each printer to facilitate the reuse of printed paper. For hazardous wastes such as used ink cartridges and toner cartridge, we reuse them by adding toner. Used ink cartridges that cannot be used anymore will be placed in hazardous waste bins in a regulated manner and collected and treated centrally by professional organizations.

7.3 Tackling Climate Change

With the increasing risk of global climate change, governments and enterprises are becoming more and more concerned about climate change. As a responsible corporate citizen, the Group pays close attention to the trend of climate change, comprehensively identifies the risks and opportunities therein, strengthens the effective management of climate change-related impacts in the course of operation, and formulates and implements corresponding measures to cope with potential climate risks.

Climate change risks are mainly categorized into physical risks and transition risks. Physical risks represent risks related to impacts on physical assets, such as typhoons, rainstorms and other extreme weather, which may affect the Group's operational safety, cause asset losses and increase our operating costs. In order to effectively prevent such physical risks, we have formulated contingency plans, strengthened publicity and education and conducted contingency drills from time to time to improve the awareness of related parties on the prevention of extreme weather.

Transition risk refers to the risk associated with the process of transition to a low-carbon business. Given the trend of low-carbon economy, the Group actively responds to the development trend of green economy and the appeal of "carbon peaking and carbon neutrality" policy, and manages its carbon emission properly to cope with potential policy risks, maintain the brand reputation and avoid losing consumers. To control the impact of transition risks, we continuously optimize our energy conservation and consumption reduction management system, reduce waste emissions, practice green office and operation concepts, and conduct environmental protection publicity and activities. In addition, we strengthen the disclosure of climate-related information and share the value of green development with stakeholders.

8. Community

The Group is mindful of the community and actively fulfilled its social responsibilities while developing its own business, and has always integrated its enterprise development with the dedication to public welfare and social responsibility. Furthermore, it considers part of its mission to give back to the public, and contribute to community development so as to promote the transmission of sustainable social values.

Case: Donating Spring Festival Supplies to Xuhui District Government

In January 2022, the Group visited the community workers of Shanghai Xuhui District Government and donated 100 boxes of supplies to them to express our appreciation for their hard work and dedication. We paid our highest tribute to the community workers and wished them a happy Chinese New Year, thanking them for their continuous efforts in preventing and controlling the pandemic, serving the residents and managing the community, as well as their contribution to ensuring the normal life of the community.

Spring Festival Supplies Donation

Case: Supporting cooperation between schools and enterprises

In November 2021, the 3rd "Belt and Road Initiative" International Seminar on Vocational Education was successfully convened. At the same time, the "Winning the Future: Vocational Education Development Seminar" organized by the China Development Research Foundation was held in Beijing. The Group proactively supported the "Winning the Future" School-Enterprise Cooperation Action Plan released at the seminar, and fully participated in professional trainings, skills competitions, curriculum resources sharing, career mentor pilot and other actions, so as to make a contribution to the high-quality development of modern vocational education.

Case: Participating in rainstorm relief

In the face of Zhengzhou's "7 • 20" exceptionally heavy rainstorm disaster, the Group immediately convened 6 employees from our store in Zhengzhou David Plaza to form a disaster resilience team, actively support the local Erqi District Service Center and participate in rainstorm relief activities. The volunteer team assisted in unloading relief supplies from all over the country, and actively responded to the rainstorm with government departments in Zhengzhou, making a contribution to the urban disaster relief and reconstruction work and providing assistances to ensure the normal life of residents, which showed the Group's selfless dedication spirit in taking the initiative to assume social responsibilities and caring for the people.

Assisting in handling supplies

Appendix I ESG Key Performance Data Sheet

Environmental Aspect

Key Performance Indicators		Unit	Consumption/Emission
A1.1 Emissions	Sulphur oxides emissions	kg	1.70
	Nitrogen oxides emissions	kg	367.43
	Particulate matter emissions	kg	34.20
A1.2 Greenhouse Gas Emissions	Greenhouse gas emissions (Scope 1)	tonne CO_2e	308.05
	Greenhouse gas emissions (Scope 2)	tonne CO_2e	1,701.37
	Total greenhouse gas emissions	tonne CO_2e	2,009.42
A1.3 Hazardous Waste	Total hazardous waste	kg	884.38
A1.4 Non-hazardous Waste	Total non-hazardous waste	tonne	19.21
A2.1 Energy Consumption	Total energy consumption	MWh	3,038.26
	Direct energy consumption	MWh	1,067.47
	Indirect energy consumption	MWh	1,970.79
	Energy consumption intensity	MWh/square meters	0.07
	Total electric consumption	MWh	1,970.79
	Petrol consumption	litre	115,801.10
A2.2 Water Consumption	Water consumption	m^3	22,800.08
	Water consumption intensity	m^3/square meters	0.51
A2.5 Packaging Material	Paper bags consumption	tonne	2,170.70

Environmental data and coefficient description

1. The scope of data collection covers the Company's administrative office areas at the Group's headquarters and all of its subordinate regions with the time span from 1 March 2021 to 28 February 2022.

2. Greenhouse gas emissions (Scope 1) are primarily generated from the petrol consumption of official 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 2019 China Regional Power Grid Baseline Emission Factor (《2019年度中國區域電網基準線排放因子》) 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 statistical basis of the data is the bills of related expense and administrative records. The conversion coefficients of each energy unit are based on the Greenhouse Gas Emissions Accounting Methodology and Reporting Guidelines for Other Industrial Enterprise (《工業其他行業企業溫室氣體排放核算方法和報告指南》) issued by the National Development and Reform Commission.

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 sources water from the municipal water supply network. There is no problem in obtaining a suitable water source. The data sources are from water bills, financial and administrative records.

Social Areas

KPIs		Key Performance data
Total workforce by gender, employment type, age group and geographical region		
		Number of employees (person)
By gender	Male	7,503
	Female	33,410
By employment type	Full-time	16,410
	Outsourced	24,503
By age group	Aged under 30	18,104
	Aged 31 to 40	19,146
	Aged 41 to 50	3,589
	Aged above 50	74
By geographical region	Mainland China	40,893
	Overseas and Hong Kong/Macau/Taiwan	20
Total workforce		40,913

Employee turnover rate by gender, age group and geographical region		
		Turnover rate (%)
By gender	Male	59.92%
	Female	44.50%
By age group	Aged under 30	59.90%[1]
	Aged 31 to 40	33.11%
	Aged 41 to 50	28.03%
	Aged above 50	55.69%
By geographical region	Mainland China	48.17%
	Overseas and Hong Kong/Macau/Taiwan	0.00%

Percentage of employee trained and average training hours per person by gender and employment type			
		Percentage of employee trained	Average training hours per person
By gender	Male	100%	67.98
	Female	100%	63.03
By ranking	Senior management	100%	31.88
	Middle management	100%	61.00
	General staff	100%	64.09

Data of suppliers	
Number of suppliers in Mainland China	95

1 As a result of the pandemic, frontline staff are facing an increase in pressure on customer services, leading to high employee turnover rate in this segment. In response, the Group revised the store's KPIs and the remuneration package to stabilize its employees' income and organized various sorts of employee activities to improve their work experience.

Appendix II Content Index of ESG Reporting Guidelines

ESG Indicators		Disclosures	Corresponding Sections
A1 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	Environment
A1.1	The types of emissions and respective emissions data.	Disclosed	Appendix I ESG Key Performance Data Sheet
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I ESG Key Performance Data Sheet
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I ESG Key Performance Data Sheet
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I ESG Key Performance Data Sheet
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	Environment
A1.6	Description of how hazardous and nonhazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	Environment
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	Environment
A2.1	Direct and/or in direct energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I ESG Key Performance Data Sheet
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I ESG Key Performance Data Sheet
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	Environment

ESG Indicators		Disclosures	Corresponding Sections
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	Environment
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Appendix I ESG Key Performance Data Sheet
A3 General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Disclosed	Environment
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	Environment
A4 General Disclosure	Policies on identification and mitigation of significant climate- related issues which have impacted, and those which may impact the issuer.	Disclosed	Environment
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	Environment
B1 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hour, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare.	Disclosed	Our Employees
B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	Appendix I ESG Key Performance Data Sheet
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Appendix I ESG Key Performance Data Sheet
B2 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employee from occupational hazards.	Disclosed	Our Employees
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Our Employees

ESG Indicators		Disclosures	Corresponding Sections
B2.2	Lost days due to work injury.	Disclosed	Our Employees
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	Our Employees
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description for training activities.	Disclosed	Our Employees
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Appendix I ESG Key Performance Data Sheet
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Appendix I ESG Key Performance Data Sheet
B4 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	Our Employees
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	Our Employees
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Our Employees
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	Our Suppliers
B5.1	Number of suppliers by geographical region.	Disclosed	Appendix I ESG Key Performance Data Sheet
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	Our Suppliers
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	Our Suppliers
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	Our Suppliers

ESG Indicators		Disclosures	Corresponding Sections
B6 General Disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	Our Services Our Governance
B6.1	Percentage to total products sold or shipped subject to recalls for safety and health reasons.	N/A	–
B6.2	Number of products and service related complaints received how they are dealt with.	Disclosed	Our Services
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Our Governance
B6.4	Description of quality assurance process and recall procedures.	Disclosed	Our Services
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	Our Services
B7 General Disclosure	Information on the policies and compliance with relevant laws and regulations that they have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	Our Governance
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees for the Reporting Period and the outcome of the cases.	Disclosed	Our Governance
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	Our Governance
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	Our Governance
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	Community
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	Community
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	Community

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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"), which are set out on pages 77 to 139, comprise:

- the consolidated balance sheet as at 28 February 2022;
- 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 significant accounting policies and other explanatory information.

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 2022, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

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

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

Key Audit Matter	**How our audit addressed the Key Audit Matter**
Net realizable value of inventories Refer to Notes 4(a) and 20 to the consolidated financial statements. At 28 February 2022, inventories of the Group amounted to RMB6,686.2 million. As described in the Summary of Significant Accounting Policies in Note 2.9 to the consolidated financial statements, inventories are carried at the lower of cost and net realizable value. Management applied judgment in determining the net realizable value of inventories. Net realizable value is determined by management based upon a detailed analysis of the aging profile of the inventories, with reference to the current marketability and latest selling prices of the respective inventories and the current retail market conditions existing at the end of the year. For the year ended 28 February 2022, provision for impairment of inventories of RMB48.7 million was made to write down the carrying amount of certain inventories to their estimated net realizable value as at 28 February 2022. 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: • 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. • We evaluated the outcome of prior period assessment to assess the effectiveness of management's estimation process. • We tested, on a sample basis, the accuracy of the inventories aging profile analyses used by management to estimate the appropriate provision for slow moving and obsolete inventories. • We performed analyses on inventories holding and movement data to identify inventories with indication of slow moving or obsolescence. • We compared the carrying amounts of inventories, on a sample basis, 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. 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 Yeung Yee Mau.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 28 February 2022

	Note	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Revenue	6	**31,876.5**	36,009.0
Cost of sales	8	**(18,052.1)**	(21,327.9)
Gross profit		**13,824.4**	14,681.1
Selling and distribution expenses	8	**(9,438.5)**	(9,655.3)
General and administrative expenses	8	**(1,293.3)**	(1,242.8)
Reversal of/(provision for) impairment of trade receivables	21	**10.2**	(25.6)
Other income	7	**327.3**	232.0
Operating profit		**3,430.1**	3,989.4
Finance income	9	**113.8**	140.7
Finance costs	9	**(217.8)**	(279.3)
Finance costs, net		**(104.0)**	(138.6)
Profit before income tax		**3,326.1**	3,850.8
Income tax expense	10	**(879.6)**	(1,080.7)
Profit for the year attributable to equity holders of the Company		**2,446.5**	2,770.1
		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	**39.45**	44.67

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 2022

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Profit for the year attributable to equity holders of the Company	**2,446.5**	2,770.1
Other comprehensive (loss)/income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences	**(20.5)**	1.2
Items that will not be reclassified to profit or loss		
Exchange differences	**–**	50.2
	(20.5)	51.4
Total comprehensive income for the year attributable to equity holders of the Company	**2,426.0**	2,821.5

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

CONSOLIDATED BALANCE SHEET

As at 28 February 2022

	Note	As at 28 February 2022 RMB million	28 February 2021 RMB million
ASSETS			
Non-current assets			
Property, plant and equipment	15	**1,009.1**	1,019.5
Right-of-use assets	16(a)	**3,099.7**	3,624.6
Intangible assets	17	**1,092.9**	1,089.6
Long-term deposits, prepayments and other receivables	18	**309.4**	266.4
Long-term pledged bank deposits	22	**1,000.0**	1,000.0
Deferred income tax assets	19	**305.0**	266.0
		6,816.1	7,266.1
Current assets			
Inventories	20	**6,686.2**	6,211.3
Trade receivables	21	**1,106.9**	2,177.3
Deposits, prepayments and other receivables	18	**1,434.5**	822.9
Bank balances and cash	22	**1,752.6**	1,228.8
		10,980.2	10,440.3
Total assets		**17,796.3**	17,706.4

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

CONSOLIDATED BALANCE SHEET

As at 28 February 2022

	Note	As at 28 February 2022 RMB million	28 February 2021 RMB million
LIABILITIES			
Non-current liabilities			
Lease liabilities	16(b)	**1,970.2**	2,329.2
Deferred income tax liabilities	19	**372.1**	245.6
		2,342.3	2,574.8
Current liabilities			
Trade payables	23	**926.7**	445.4
Other payables, accruals and other liabilities	24	**1,644.9**	1,516.1
Short-term borrowings	25	**518.2**	1,337.2
Lease liabilities	16(b)	**1,086.2**	1,319.9
Current income tax liabilities		**696.5**	807.2
		4,872.5	5,425.8
Total liabilities		**7,214.8**	8,000.6
Net assets		**10,581.5**	9,705.8
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	26	**–**	–
Other reserves	27	**3,511.5**	5,039.7
Retained earnings		**7,070.0**	4,666.1
Total equity		**10,581.5**	9,705.8

The consolidated financial statements on pages 77 to 139 were approved by the Board of Directors on 29 June 2022 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 2022

	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 2021	**–**	**5,039.7**	**4,666.1**	**9,705.8**
Comprehensive income:				
Profit for the year	**–**	**–**	**2,446.5**	**2,446.5**
Other comprehensive loss:				
Exchange difference	**–**	**(20.5)**	**–**	**(20.5)**
Total comprehensive (loss)/income for the year	**–**	**(20.5)**	**2,446.5**	**2,426.0**
Appropriation to statutory reserves	**–**	**42.6**	**(42.6)**	**–**
Dividends (Note 12)	**–**	**(1,550.3)**	**–**	**(1,550.3)**
Total transactions with equity holders	**–**	**(1,507.7)**	**(42.6)**	**(1,550.3)**
At 28 February 2022	**–**	**3,511.5**	**7,070.0**	**10,581.5**
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 income:				
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

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 2022

	Note	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Cash flows from operating activities			
Net cash generated from operations	28(a)	**6,592.3**	5,655.5
Income tax paid		**(902.8)**	(950.0)
Net cash generated from operating activities		**5,689.5**	4,705.5
Cash flows from investing activities			
Payments for purchases of property, plant and equipment and intangible assets	28(b)	**(716.4)**	(643.1)
Proceeds from disposals of property, plant and equipment	28(c)	**3.2**	5.9
Payments for acquisition of a business		**–**	(0.5)
Withdrawal of pledged term deposits under the cross-border cash pooling arrangement		**–**	3,594.7
Placement of long-term pledged bank deposits		**–**	(1,000.0)
Placement of other bank deposits		**(1,000.0)**	(460.0)
Withdrawal of other bank deposits		**1,000.0**	460.0
Interest received		**41.9**	140.7
Net cash (used in)/generated from investing activities		**(671.3)**	2,097.7
Cash flows from financing activities			
Proceeds from bank borrowings	28(d)	**4,347.6**	1,263.1
Proceeds from drawing as borrowings under the cross-border cash pooling arrangement	28(d)	**–**	1,460.0
Repayment of drawing as borrowings under the cross-border cash pooling arrangement	28(d)	**–**	(2,460.0)
Repayments of bank borrowings	28(d)	**(5,152.1)**	(1,325.9)
Payments for lease liabilities (including interest)	28(d)	**(2,117.2)**	(1,960.1)
Interest paid for bank borrowings		**(22.4)**	(81.4)
Dividends paid to then equity holders of the Company		**–**	(1,635.3)
Dividends paid	27	**(1,550.3)**	(3,658.7)
Net cash used in financing activities		**(4,494.4)**	(8,398.3)
Net increase/(decrease) in cash and cash equivalents		**523.8**	(1,595.1)
Cash and cash equivalents at beginning of the year		**1,228.8**	2,823.9
Cash and cash equivalents at end of the year	22	**1,752.6**	1,228.8

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. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 October 2019. As at 28 February 2022, no entity holds more than 50% equity interest in the Company.

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 2021:

- Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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) New standards, amendments to standards and interpretations that have been issued but are not yet effective

A number of new standards, amendments to standards and interpretations have been issued but are not effective for the year beginning on or after March 1, 2022 and have not been early adopted by the Group:

Amendments to IAS 16, IAS 37 and IFRS 3	Narrow-scope amendments (1)
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use (1)
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract (1)
Amendments to IFRS 3	Reference to the Conceptual Framework (1)
Annual Improvements	Annual Improvements to IFRSs 2018 – 2020 Cycle (1)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (2)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (2)
Amendments to IAS 8	Definition of Accounting Estimates (2)
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction (2)
Amendments to IFRIC – Int 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (2)
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 (2)
IFRS 17	Insurance Contracts (2)
Amendments to IFRS 17	Amendments to IFRS 17 (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 standards, amendments to standards and interpretations, and have concluded on a preliminary basis that the adoption of these new standards, amendments and interpretations to 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 of 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.

The group has adopted Amendment to HKFRS 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 COVID19 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 RMB69.8 million (2021: RMB121.8 million) have been accounted for as negative variable lease payments and recognized 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 2021 and 2020.

2 Summary of significant accounting policies (Continued)

2.6 Accounting for leases (Continued)

(b) The Group as lessor

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

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

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

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

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

2.7 Intangible assets

(a) Goodwill

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

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

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

2 Summary of significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(b) Acquired distribution and license contracts

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

(c) Other intangible assets

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

2.8 Impairment of non-financial assets

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

2.9 Inventories

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

2 Summary of significant accounting policies (Continued)

2.10 Financial assets

(a) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income ("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

(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.

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.

2.22 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 Summary of significant accounting policies (Continued)

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.

The Group's sale of goods to the retail customers is recognized when control of the goods is transferred, being at the point the customer purchases the goods at the retail outlet; Group's sale of goods to end customer through e-commerce platforms and to wholesalers are recognized when control of the products is transferred, being when the products are delivered to the customers.

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.

(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 2022 and 28 February 2021, no forward foreign exchange contracts had been entered into by the Group.

As at 28 February 2022 and 28 February 2021, the impact of foreign exchange fluctuations of HK$ is not material as the Group's entities had no material financial assets or financial liabilities denominated in a currency that different from its functional currency and therefore no sensitivity analysis is presented for foreign exchange risk.

(b) Cash flow and fair value interest rate risks

The Group has no significant interest-bearing assets except for the cash at banks and long-term pledged bank 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(b) 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. The Group's borrowings were carried at floating rates and expose the Group to cash flow interest rate risk and all of its lease liabilities were carried at fixed rates which does not expose the Group to cash flow interest rate risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of trade receivables, other receivables, cash at banks, long-term pledged bank 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 2022 and 28 February 2021, substantially all the bank balances, and long-term pledged bank 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.

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

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) of the trade receivables. Expected credit losses on trade receivables are calculated by using the provision matrix approach. Trade receivables are categorized by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. For trade receivables relating to accounts in which there are objective evidence that the debtor faces significant financial difficulties, they are assessed individually for impairment allowance. As at 28 February 2022, total loss allowance of RMB7.8 million (2021: RMB18.0 million) has been made on the Group's trade receivables.

Provision on collective basis	0-30 days	31-60 days	61-90 days	Over 90 days	Total
28 February 2022					
Gross carrying amount (RMB million)	**1,064.3**	**40.0**	**1.4**	**9.0**	**1,114.7**
Expected credit loss rate	**0.2%**	**0.3%**	**2.1%**	**62.2%**	**0.7%**
Loss allowance (RMB million)	**2.1**	**0.1**	**0.0**	**5.6**	**7.8**
28 February 2021					
Gross carrying amount (RMB million)	2,101.3	69.5	1.8	22.7	2,195.3
Expected credit loss rate	0.1%	0.1%	5.6%	66.1%	0.8%
Loss allowance (RMB million)	2.8	0.1	0.1	15.0	18.0

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 2022 and 28 February 2021, 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 2022 and 28 February 2021 payable in the next twelve months calculated in accordance with the relevant borrowing agreements amounted to RMB2.5 million and RMB2.6 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 2022 RMB million	28 February 2021 RMB million
Carrying amount of lease liabilities	**3,056.4**	3,649.1
Within 1 year	**1,118.0**	1,650.3
More than 1 year and within 2 years	**1,031.8**	1,168.3
More than 2 years and within 5 years	**1,088.7**	1,244.7
More than 5 years	**114.7**	119.2
Total contractual undiscounted cash outflow	**3,353.2**	4,182.5

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 2022 and 28 February 2021, the Group did not have any significant financial assets or financial liabilities in the consolidated balance sheet which is measured at fair value.

3.3 Capital risk management

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

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

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

3 Financial risk management (Continued)

3.3 Capital risk management (Continued)

As at 28 February 2022 and 28 February 2021, the gearing ratio was as follows:

	As at 28 February 2022 RMB million	28 February 2021 RMB million
Short-term borrowings (Note 25)	**518.2**	1,337.2
Less: Long-term pledged bank deposits and bank balances and cash	**(2,752.6)**	(2,228.8)
Net cash	**(2,234.4)**	(891.6)
Total capital	**8,347.1**	8,814.2
Gearing ratio	**Net cash**	Net cash

As at 28 February 2022 and 28 February 2021, the Group has a net cash position and the aggregate balances of long-term pledged bank deposits and bank balances and cash exceeded the total balance of borrowings.

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 2022 and 28 February 2021, substantially all of the non-current assets of the Group were located in the PRC.

6 Revenue

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Sale of goods	**31,574.5**	35,687.3
Concessionaire fee income	**236.0**	240.2
Others	**66.0**	81.5
	31,876.5	36,009.0

7 Other income

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Government incentives (note)	**326.1**	221.3
Others	**1.2**	10.7
	327.3	232.0

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

8 Expenses by nature

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Cost of inventories recognized as expenses included in cost of sales	**18,003.4**	21,306.8
Staff costs (Note 13)	**3,463.7**	3,172.9
Lease expenses (mainly including concessionaire fee expenses)	**2,614.1**	3,040.4
Depreciation on right-of-use assets (Note 16(a))	**1,830.2**	1,923.6
Depreciation on property, plant and equipment (Note 15)	**667.2**	679.9
Amortization of intangible assets (Note 17)	**30.7**	28.5
Write-off of intangible assets (Note 17)	**–**	2.0
Write-off of property, plant and equipment (Note 15)	**6.3**	16.9
Loss on disposal of property, plant and equipment (Note 28(c))	**1.3**	3.1
Impairment of inventories recognized as expenses included in cost of sales (Note 20)	**48.7**	21.1
Impairment on right-of-use assets (included in selling and distribution expenses) (Note 16(a))	**39.0**	14.9
Other tax expenses	**115.9**	140.6
Auditors' remuneration	**5.2**	5.2
Others	**1,958.2**	1,870.1
Total cost of sales, selling and distribution expenses and general and administrative expenses	**28,783.9**	32,226.0

9 Finance costs, net

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Interest income from bank deposits	**78.9**	140.7
Exchange gains	**34.9**	–
Finance income	**113.8**	140.7
Interest expense on bank borrowings	**(18.4)**	(56.4)
Interest expense on lease liabilities (Note 16(b))	**(199.4)**	(222.9)
Finance costs	**(217.8)**	(279.3)
Finance costs, net	**(104.0)**	(138.6)

10 Income tax expense

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Current income tax – PRC corporate income tax		
– Current year	**749.6**	864.0
– Over-provision in prior years	**(3.3)**	(0.6)
– Withholding tax	**45.8**	73.4
Deferred income taxes (Note 19)	**87.5**	143.9
	879.6	1,080.7

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% (2021: 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% (2021: 25%) except that certain subsidiaries are subject to preferential tax rates ranging from 2.5% to 15% (2021: 5% to 15%) and other preferential tax treatments.

According to applicable tax regulations prevailing in the PRC, dividends distributed by a company established in the PRC to a foreign investor are generally subject to a 10% withholding tax. If a foreign investor is incorporated in Hong Kong, under the double taxation arrangement between the Mainland China and Hong Kong, the relevant withholding tax rate applicable 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 2022 RMB million	28 February 2021 RMB million
Profit before income tax	**3,326.1**	3,850.8
Tax calculated at the applicable tax rate of respective companies (note)	**714.4**	832.6
Expenses not deductible for tax purposes	**–**	0.3
Tax losses for which no deferred income tax assets were recognized	**2.8**	2.5
Utilization of previously unrecognized tax losses	**(6.6)**	(0.6)
Over-provision in prior years	**(3.3)**	(0.6)
Withholding tax	**172.3**	246.5
	879.6	1,080.7

Note: The weighted average applicable corporate income tax rate is 21.5% (2021: 21.6%). 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 2022	28 February 2021
Profit attributable to equity holders of the Company	RMB million	**2,446.5**	2,770.1
Weighted average number of ordinary shares for the purpose of basic earnings per share	thousand of shares	**6,201,222**	6,201,222
Basic earnings per share	RMB cents	**39.45**	44.67

(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 2022 and 28 February 2021.

12 Dividends

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Interim dividend, paid, of RMB13.00 cents (or equivalent to HK$15.65 cents) (2021: RMB12.00 cents (or equivalent to HK$13.73 cents)) per ordinary share (note (a, b))	**806.2**	744.1
Special dividend, paid, of RMB nil cents (or equivalent to HK$ nil cents) (2021: RMB40.00 cents (or equivalent to HK$45.78 cents)) per ordinary share (note (a))	**–**	2,480.5
Final dividend, proposed, of RMB7.00 cents (or equivalent to HK$8.09 cents) (2021: RMB12.00 cents (or equivalent to HK$14.33 cents)) per ordinary share (note (c, d))	**434.1**	744.1
Special dividend, proposed, of RMB23.00 cents (or equivalent to HK$26.58 cents) (2021: RMB nil cents (or equivalent to HK$ nil cents)) per ordinary share (note (d))	**1,426.3**	–
	2,666.6	3,968.7

Notes:

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

(b) At a meeting held on 28 October 2021, the directors declared an interim dividend of RMB13.00 cents or equivalent to HK$15.65 cents per ordinary share (totaling RMB806.2 million) for the year ended 28 February 2022, which was paid during the year ended 28 February 2022.

(c) 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, which was paid during the year ended 28 February 2022.

(d) At a meeting held on 30 May 2022, the directors recommended a final dividend of RMB7.00 cents or equivalent to HK$8.09 cents per ordinary share (totaling RMB434.1 million) and a special dividend of RMB23.00 cents or equivalent to HK$26.58 cents per ordinary share (totaling RMB1,426.3 million) for the year ended 28 February 2022. These proposed dividends are not reflected as dividend payable in the financial statements, but will be reflected in the year ending 28 February 2023.

13 Staff costs (including directors' remunerations)

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Wages, salaries and bonuses	**2,866.1**	2,841.8
Pensions costs – defined contribution plans (note (a))	**512.6**	255.4
Welfare and other expenses	**85.0**	75.7
	3,463.7	3,172.9

(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.

Due to the impact of COVID-19 in 2020, a number of policies including the relief of social insurance have been promulgated by the PRC government since February 2020 to expedite resumption of economic activities, which resulted in the decrease of certain contributions to defined contribution scheme during the year ended February 28, 2021.

(b) Five highest paid individuals

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

	Year ended 28 February 2022 RMB thousand	28 February 2021 RMB thousand
Director	**6,473**	6,471
Employees	**80,865**	64,265
	87,338	70,736

The five individuals whose remunerations were the highest in the Group include 1 (2021: 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 2022 RMB thousand	28 February 2021 RMB thousand
Basic salaries and bonuses	**80,698**	64,148
Pension costs – defined contribution plans	**167**	117
	80,865	64,265

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

	Year ended 28 February 2022	28 February 2021
Emolument band		
HK$5,000,001 to HK$6,000,000	**1**	2
HK$16,000,001 to HK$17,000,000	**1**	–
HK$25,000,001 to HK$30,000,000	**–**	1
HK$30,000,001 to HK$35,000,000	**1**	–
HK$35,000,001 to HK$40,000,000	**–**	1
HK$41,000,001 to HK$42,000,000	**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 (2021: 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 2022						
Executive directors						
Yu Wu[1]	**–**	**2,393**	**3,985**	**95**	**–**	**6,473**
Leung Kam Kwan[2]	**–**	**1,991**	**497**	**15**	**–**	**2,503**
Non-executive directors						
Sheng Baijiao	**–**	**–**	**–**	**–**	**–**	**–**
Sheng Fang	**–**	**–**	**–**	**–**	**–**	**–**
Hu Xiaoling	**–**	**–**	**–**	**–**	**–**	**–**
Yung Josephine Yuen Ching	**–**	**–**	**–**	**–**	**–**	**–**
Independent Non-executive directors						
Lam Yiu Kin	**300**	**–**	**–**	**–**	**–**	**300**
Hua Bin	**300**	**–**	**–**	**–**	**–**	**300**
Huang Victor	**300**	**–**	**–**	**–**	**–**	**300**
	900	**4,384**	**4,482**	**110**	**–**	**9,876**
For the year ended 28 February 2021						
Executive directors						
Yu Wu[1]	–	2,474	3,934	63	–	6,471
Leung Kam Kwan[2]	–	708	619	5	–	1,332
Non-executive directors						
Sheng Baijiao	–	–	–	–	–	–
Sheng Fang	–	–	–	–	–	–
Hu Xiaoling	–	–	–	–	–	–
Chow Kyan Mervyn[3]	–	–	–	–	–	–
Yung Josephine Yuen Ching	–	–	–	–	–	–
Independent Non-executive directors						
Lam Yiu Kin	300	–	–	–	–	300
Hua Bin	300	–	–	–	–	300
Huang Victor	300	–	–	–	–	300
	900	3,182	4,553	68	–	8,703

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.

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

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

During the year, none of the directors waived or agreed to waive any emoluments (2021: Nil).

(b) Directors' retirement and termination benefits

None of the directors received or will receive any retirement and termination benefits during the year (2021: 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 (2021: 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 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 and 1 March 2021	**2,958.9**	**253.8**	**42.9**	**3,255.6**
Additions	**604.5**	**60.9**	**2.2**	**667.6**
Disposals	**(10.3)**	**(12.4)**	**(0.5)**	**(23.2)**
Written-off	**(532.7)**	**(11.8)**	**(2.7)**	**(547.2)**
As at 28 February 2022	**3,020.4**	**290.5**	**41.9**	**3,352.8**
Accumulated depreciation				
As at 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 and 1 March 2021	**2,051.1**	**156.0**	**29.0**	**2,236.1**
Disposals	**(10.0)**	**(8.3)**	**(0.4)**	**(18.7)**
Written-off	**(528.6)**	**(9.7)**	**(2.6)**	**(540.9)**
Depreciation charges	**626.0**	**37.0**	**4.2**	**667.2**
As at 28 February 2022	**2,138.5**	**175.0**	**30.2**	**2,343.7**
Net book value				
As at 28 February 2021	907.8	97.8	13.9	1,019.5
As at 28 February 2022	**881.9**	**115.5**	**11.7**	**1,009.1**

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 2022 RMB million	28 February 2021 RMB million
Selling and distribution expenses	**644.9**	662.6
General and administrative expenses	**22.3**	17.3
	667.2	679.9

16 Lease

(a) Right-of-use assets

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
As at 1 March	**3,624.6**	3,908.8
Inception of lease contracts	**1,710.4**	1,750.4
Depreciation (Note 8)	**(1,830.2)**	(1,923.6)
Termination and remeasurement	**(366.1)**	(96.1)
Impairment (Note 8)	**(39.0)**	(14.9)
As at 28 February	**3,099.7**	3,624.6

The Group obtains rights to control the use of various retail outlets and other properties for a period of time through lease arrangements. Lease arrangements are negotiated on an individual basis and contain a wide range of different terms and conditions including lease payments and lease terms ranging from 1 to 15 years.

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 2022 RMB million	28 February 2021 RMB million
Selling and distribution expenses	**1,780.6**	1,877.1
General and administrative expenses	**49.6**	46.5
	1,830.2	1,923.6

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 insignificant (also see note (c) below). The Group's right-of-use assets included a number of the lease arrangements that carried fixed payments plus variable payments and their respective variable payments portion are generally insignificant. 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. The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales value. 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.

Extension and termination options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. 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 lease is reasonably certain to be extended (or not terminated).

(b) Lease liabilities

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
As at 1 March	**3,649.1**	3,864.6
Inception of lease contracts	**1,710.4**	1,750.4
Interest expense on lease liabilities (Note 9)	**199.4**	222.9
Payment for lease liabilities (including interest)	**(2,117.2)**	(1,960.1)
Termination and remeasurement	**(385.3)**	(228.7)
As at 28 February	**3,056.4**	3,649.1

16 Lease (Continued)

(b) Lease liabilities (Continued)

	As at 28 February 2022 RMB million	28 February 2021 RMB million
Amount due for settlement within 12 months (shown under current liabilities)	**1,086.2**	1,319.9
Amount due for settlement after 12 months	**1,970.2**	2,329.2
	3,056.4	3,649.1

Maturity analysis of lease liabilities is as follows:

	As at 28 February 2022 RMB million	28 February 2021 RMB million
Not later than 1 year	**1,086.2**	1,319.9
Later than 1 year and not later than 5 years	**1,886.0**	2,257.6
Later than 5 years	**84.2**	71.6
	3,056.4	3,649.1

During the year ended 28 February 2022, lease liabilities of RMB385.3 million (2021: RMB228.7 million) was derecognized as a result of termination of lease. Interest on lease liabilities during the year have been disclosed in Note 9.

As discussed in Note 2.6(a), the Group has applied the practical expedient to all qualifying COVID-19 related rent concessions. Rent concessions totaling RMB69.8 million and RMB121.8 million have been accounted for as negative variable lease payments and recognized in the consolidated statement of profit or loss for the year ended 28 February 2022 and 2021, with a corresponding adjustment to the lease liabilities.

Total cash outflow in relation to leases comprised the payments in relation to the lease liabilities of RMB2,117.2 million (2021: RMB1,960.1 million) and short term lease payments, which are immaterial to the Group, for the year ended 28 February 2022, but not including the variable lease payments. In respect of the variable lease payments, substantially all of them are related to retail outlets under concessionaire arrangements with department stores, of which the department stores receive sales proceeds from retail customers and remit the net proceeds to the Group after deducting relevant variable lease payments and therefore there would be no direct cash outflow in relation to the variable lease payments.

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

As at 28 February 2022, the total future lease payments for short-term leases amounted to RMB281.3 million (2021: RMB225.0 million). As at 28 February 2022, leases committed but not yet commenced are relatively insignificant (2021: same)

17 Intangible assets

	Goodwill RMB million	Distribution and licenses contracts RMB million	e-Sports licenses and contracts RMB million	Others RMB million	Total RMB million
Cost					
As at 1 March 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 and 1 March 2021	**1,002.4**	**249.0**	**128.1**	**10.0**	**1,389.5**
Additions	**–**	**–**	**20.8**	**13.2**	**34.0**
As at 28 February 2022	**1,002.4**	**249.0**	**148.9**	**23.2**	**1,423.5**
Accumulated amortization					
As at 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 and 1 March 2021	**–**	**249.0**	**48.2**	**2.7**	**299.9**
Amortization for the year	**–**	**–**	**24.5**	**6.2**	**30.7**
As at 28 February 2022	**–**	**249.0**	**72.7**	**8.9**	**330.6**
Net book value					
As at 28 February 2021	1,002.4	–	79.9	7.3	1,089.6
As at 28 February 2022	**1,002.4**	**–**	**76.2**	**14.3**	**1,092.9**

During the year, amortization expense of RMB30.7 million (2021: RMB28.5 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 2022 and 28 February 2021 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 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)

The recoverable amount of the Group's goodwill was determined based on FVLCD, which was estimated by management with reference to the transaction price of the Company's listed shares. Management considered the recoverable amount of the Group was higher than the carrying amount of its net assets as at 28 February 2022 and 28 February 2021 with significant headroom.

18 Deposits, prepayments and other receivables

	As at	
	28 February 2022 RMB million	28 February 2021 RMB million
Non-current		
Rental deposits	**294.9**	258.6
Prepayments for capital expenditures	**14.5**	7.8
	309.4	266.4
Current		
Rental deposits	**294.2**	306.6
Value-added tax recoverable	**297.4**	209.3
Prepayments for purchase	**422.8**	72.8
Other receivables and prepayments	**420.1**	234.2
	1,434.5	822.9

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

19 Deferred income taxes

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

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

	As at 28 February 2022 RMB million	As at 28 February 2021 RMB million
Net deferred income tax assets recognized	**305.0**	266.0
Net deferred income tax liabilities recognized	**(372.1)**	(245.6)
	(67.1)	20.4

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 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 and 1 March 2021	**107.5**	**73.5**	**85.0**	**266.0**
(Charged)/credited to profit or loss (Note 10)	**(25.4)**	**59.6**	**4.8**	**39.0**
As at 28 February 2022	**82.1**	**133.1**	**89.8**	**305.0**

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 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 and 1 March 2021	**–**	**245.6**	**245.6**
Charged to profit or loss (Note 10)	**–**	**126.5**	**126.5**
As at 28 February 2022	**–**	**372.1**	**372.1**

19 Deferred income taxes (Continued)

As at 28 February 2022 and 28 February 2021, 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 2022, the Group had unrecognized tax losses to be carried forward against future taxable income amounting to RMB121.3 million (2021: RMB128.1 million). All of these unrecognized tax losses will expire within 5 years.

As at 28 February 2022, the potential deferred income tax assets in respect of the above unrecognized tax losses amounted to RMB27.6 million (2021: RMB27.4 million).

20 Inventories

	As at	
	28 February 2022 RMB million	28 February 2021 RMB million
Merchandise for sale and consumables	**6,805.6**	6,282.0
Less: provision for impairment losses	**(119.4)**	(70.7)
	6,686.2	6,211.3

The cost of inventories amounting to RMB18,003.4 million (2021: RMB21,306.8 million) and the additional provision for impairment of inventories amounting to RMB48.7 million (2021: RMB21.1 million) were included in cost of sales during the year ended 28 February 2022.

21 Trade receivables

	As at 28 February 2022 RMB million	28 February 2021 RMB million
Trade receivables	**1,114.7**	2,195.3
Loss allowance	**(7.8)**	(18.0)
	1,106.9	2,177.3

The Group's concessionaire sales through department stores are generally collectible within 30 days from the invoice date. As at 28 February 2022, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 28 February 2022 RMB million	28 February 2021 RMB million
0 to 30 days	**1,064.3**	2,101.3
31 to 60 days	**40.0**	69.5
61 to 90 days	**1.4**	1.8
Over 90 days	**9.0**	22.7
	1,114.7	2,195.3
Loss allowance	**(7.8)**	(18.0)
	1,106.9	2,177.3

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 2022 RMB million	28 February 2021 RMB million
At the beginning of the year	**18.0**	52.8
(Decrease)/increase in loss allowance	**(10.2)**	25.6
Written-off	**–**	(60.4)
At the end of the year	**7.8**	18.0

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 2022 RMB million	28 February 2021 RMB million
Non-current		
Long-term pledged bank deposits (note)	**1,000.0**	1,000.0
Current		
Bank balances and cash	**1,752.6**	1,228.8
	2,752.6	2,228.8
Denominated in the following currencies:		
RMB	**2,732.7**	2,205.0
HK$	**19.7**	16.7
US$	**0.2**	7.1
	2,752.6	2,228.8

Note: As at 28 February 2022 and 28 February 2021, the long-term bank deposits were pledged to bank against bank credit facility. No credit facilities (2021: RMB1,000.0 million) were utilised by the Group as at 28 February 2022. The long-term pledged bank deposits were denominated in RMB and carried interest at 3.7% per annum. The carrying amounts of these deposits approximate their fair values.

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

23 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. As at 28 February 2022, the aging analysis of trade payables, based on invoice date, is as follows:

	As at 28 February 2022 RMB million	28 February 2021 RMB million
0 to 30 days	**921.3**	431.8
31 to 60 days	**3.9**	1.9
Over 60 days	**1.5**	11.7
	926.7	445.4

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 2022 RMB million	28 February 2021 RMB million
Accrued wages, salaries, bonuses and staff welfare	**449.8**	420.3
Value-added tax, business tax and other taxes payables	**337.1**	377.6
Customers' deposits	**141.2**	135.7
Other payables and accruals	**398.8**	317.2
Contract liabilities (note)	**318.0**	265.3
	1,644.9	1,516.1

Note: Substantially all the contract liabilities at the beginning of the years ended 28 February 2022 and 28 February 2021 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 2022 RMB million	28 February 2021 RMB million
Unsecured bank borrowings (note (a))	**518.2**	337.2
Secured bank borrowing (note (b))	**–**	1,000.0
	518.2	1,337.2

Notes:

(a) As at 28 February 2022, the Group's unsecured bank borrowings carried interest at floating rates with weighted average interest rate of 1.2% (2021: 1.3%) per annum. The carrying amounts of the Group's short-term bank borrowings 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.

26 Share capital

	Number of ordinary shares	Nominal value of ordinary shares
Authorized:		
As at 1 March 2020, 28 February 2021, 1 March 2021 and 28 February 2022	20,000,000,000	HK$20,000
Issued and fully paid:		HK$
As at 1 March 2020, 28 February 2021, 1 March 2021 and 28 February 2022	6,201,222,024	6,201

27 Other reserves

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 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
Dividends (Note 12)	(3,658.7)	–	–	–	(3,658.7)
At 28 February 2021 and 1 March 2021	**22,736.8**	**(18,437.6)**	**11.3**	**729.2**	**5,039.7**
Exchange difference	**–**	**–**	**(20.5)**	**–**	**(20.5)**
Appropriation to statutory reserves	**–**	**–**	**–**	**42.6**	**42.6**
Dividends (Note 12)	**(1,550.3)**	**–**	**–**	**–**	**(1,550.3)**
At 28 February 2022	**21,186.5**	**(18,437.6)**	**(9.2)**	**771.8**	**3,511.5**

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 of the Group that took place in 2018 (the "Reorganization"). It also includes the share premium arising from issuance of shares upon listing of the Company, net of share issuance costs.

(b) Capital reserve

Capital reserve comprises of a merger reserve arising from the Reorganization, representing the excess of the fair value of the Company's share issued for Reorganization over the 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.

(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.

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 2022 RMB million	28 February 2021 RMB million
Profit before income tax		**3,326.1**	3,850.8
Adjustments for:			
Depreciation on property, plant and equipment	15	**667.2**	679.9
Depreciation on right-of-use assets	16(a)	**1,830.2**	1,923.6
Amortization of intangible assets	17	**30.7**	28.5
Loss on disposal of property, plant and equipment	28(c)	**1.3**	3.1
Write-off of property, plant and equipment	15	**6.3**	16.9
Write-off of intangible assets	17	**–**	2.0
(Reversal of)/provision for impairment of trade receivables	21	**(10.2)**	25.6
Impairment of right-of-use assets	16(a)	**39.0**	14.9
Impairment of inventory	20	**48.7**	21.1
Interest income	9	**(78.9)**	(140.7)
Interest expense	9	**217.8**	279.3
Others		**(54.2)**	(81.2)
Operating profit before changes in working capital		**6,024.0**	6,623.8
Changes in working capital:			
Increase in long-term deposits, prepayments and other receivables		**(36.3)**	(19.8)
(Increase)/decrease in inventories		**(523.6)**	416.6
Decrease/(increase) in trade receivables		**1,080.6**	(716.2)
(Increase)/decrease in deposits, prepayments and other receivables		**(570.6)**	24.1
Increase/(decrease) in trade payables		**481.3**	(659.6)
Increase/(decrease) in other payables, accruals and other liabilities		**136.9**	(13.4)
Net cash generated from operations		**6,592.3**	5,655.5

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 2022 RMB million	28 February 2021 RMB million
Additions to:		
Property, plant and equipment	**667.6**	571.5
Intangible assets	**34.0**	16.8
Increase/(decrease) in prepayments	**6.7**	(8.9)
Decrease in other payables	**8.1**	63.7
	716.4	643.1

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

	Year ended 28 February 2022 RMB million	28 February 2021 RMB million
Net book value	**4.5**	9.0
Loss on disposal of property, plant and equipment	**(1.3)**	(3.1)
Proceeds from disposals	**3.2**	5.9

(d) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB million	Lease liabilities RMB million
As at 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 and 1 March 2021	**1,337.2**	**3,649.1**
Non-cash movements	**(14.5)**	**1,524.6**
Cash flows	**(804.5)**	**(2,117.2)**
As at 28 February 2022	**518.2**	**3,056.5**

29 Future minimum lease payments receivables

As at 28 February 2022, 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 2022 RMB million	28 February 2021 RMB million
Not later than 1 year	**42.5**	44.3
Later than 1 year and not later than 5 years	**2.4**	16.0
	44.9	60.3

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 2022 RMB million	28 February 2021 RMB million
Transactions with companies controlled by Belle International other than the Group (note (a))		
– Sale of goods	**–**	1.5
– Service income	**0.3**	–
– Logistics services fees	**355.9**	368.6
– E-commerce services fees	**61.2**	115.9
– Rental expenses	**32.3**	30.6
Key management compensation		
– Salaries, bonuses and other welfare (note (b))	**14.1**	13.6

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 2022 RMB million	28 February 2021 RMB million
ASSETS		
Non-current assets		
Property, plant and equipment	**0.6**	0.7
Investments in subsidiaries	**17,151.2**	17,746.8
	17,151.8	17,747.5
Current assets		
Prepayments	**0.8**	0.4
Amounts due from subsidiaries	**2,011.2**	3,610.6
Bank balances and cash	**2.7**	6.6
	2,014.7	3,617.6
Total assets	**19,166.5**	21,365.1
LIABILITIES		
Current liabilities		
Short-term borrowings	**161.9**	125.7
Accruals	**0.8**	1.0
Total liabilities	**162.7**	126.7
Net assets	**19,003.8**	21,238.4
EQUITY		
Equity attributable to equity holders of the Company		
Share capital	**–**	–
Other reserves (note)	**18,521.7**	20,739.3
Retained earnings (note)	**482.1**	499.1
Total equity	**19,003.8**	21,238.4

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 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 and 1 March 2021	**22,736.8**	**(1,997.5)**	**499.1**	**21,238.4**
Loss and total comprehensive loss for the year	**–**	**–**	**(17.0)**	**(17.0)**
Dividends (Note 12)	**(1,550.3)**	**–**	**–**	**(1,550.3)**
Exchange differences	**–**	**(667.3)**	**–**	**(667.3)**
At 28 February 2022	**21,186.5**	**(2,664.8)**	**482.1**	**19,003.8**

32 Particulars of Principal Subsidiaries

Name of subsidiaries	Place of incorporation/ establishment/	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2022	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 28 February 2022	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	**0%**	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%

32 Particulars of Principal Subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment/	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2022	As at 28 February 2021
Indirectly held: (Continued)					
領聘貿易（上海）有限公司 (Lingpin Trading Shanghai Company Limited) ^#	The PRC	US$1,000,000	Operation of sports cities business and investment holding	**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%
滔搏商貿(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 holding	**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 holding	**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%
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%

32 Particulars of Principal Subsidiaries (Continued)

				Effective interest held by the Group	
Name of subsidiaries	Place of incorporation/ establishment/	Issued and fully paid up capital	Principal activities	As at 28 February 2022	As at 28 February 2021
Indirectly held: (Continued)					
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 (Jiangsu Taobo Sports Products Co., Ltd.) ^*#	The PRC	RMB81,946,900	Trading of sportswear products	**0%**	100%
廣西百朗體育用品有限公司 (Guangxi 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%
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 (Shanghai) Company Limited) ^#	The PRC	RMB100,000,000	Trading of sportswear products	**100%**	100%

32 Particulars of Principal Subsidiaries (Continued)

Name of subsidiaries	Place of incorporation/ establishment/	Issued and fully paid up capital	Principal activities	Effective interest held by the Group As at 28 February 2022	As at 28 February 2021
Indirectly held: (Continued)					
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.

* As at 28 February 2022, business license of the company had been cancelled.

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 2022	28 February 2021	29 February 2020	28 February 2019	28 February 2018
Operating results:						
Revenue	RMB million	**31,876.5**	36,009.0	33,690.2	32,564.4	26,549.9
Gross profit	RMB million	**13,824.4**	14,681.1	14,187.5	13,607.3	11,038.3
Operating profit	RMB million	**3,430.1**	3,989.4	3,302.9	3,236.8	2,252.0
Profit attributable to the Company's equity holders	RMB million	**2,446.5**	2,770.1	2,303.4	2,199.8	1,436.0
Assets and liabilities:						
Bank balances and cash	RMB million	**2,752.6**	2,228.8	6,418.6	650.5	463.6
Short-term borrowings	RMB million	**518.2**	1,337.2	2,400.0	1,300.0	400.0
Total assets	RMB million	**17,796.3**	17,706.4	22,035.2	16,216.4	14,352.8
Total liabilities	RMB million	**7,214.8**	8,000.6	11,492.2	14,267.6	10,571.4
Total equity	RMB million	**10,581.5**	9,705.8	10,543.0	1,948.8	3,781.4
Key financial indicators:						
Gross profit margin	%	**43.4**	40.8	42.1	41.8	41.6
Operating profit margin	%	**10.8**	11.1	9.8	9.9	8.5
Profit margin attributable to the Company's equity holders	%	**7.7**	7.7	6.8	6.8	5.4
Earnings per share – basic and diluted	RMB cents	**39.45**	44.67	40.88	41.73	N/A
Average trade receivables turnover period	days	**18.8**	18.6	21.8	28.9	30.9
Average trade payables turnover period	days	**13.9**	13.3	16.4	9.9	8.6
Average inventory turnover period	days	**130.4**	110.0	120.0	103.5	103.2
Gearing ratio	%	**Net cash**	Net cash	Net cash	25.0	Net cash
Current ratio	times	**2.3**	1.9	1.7	0.9	1.1