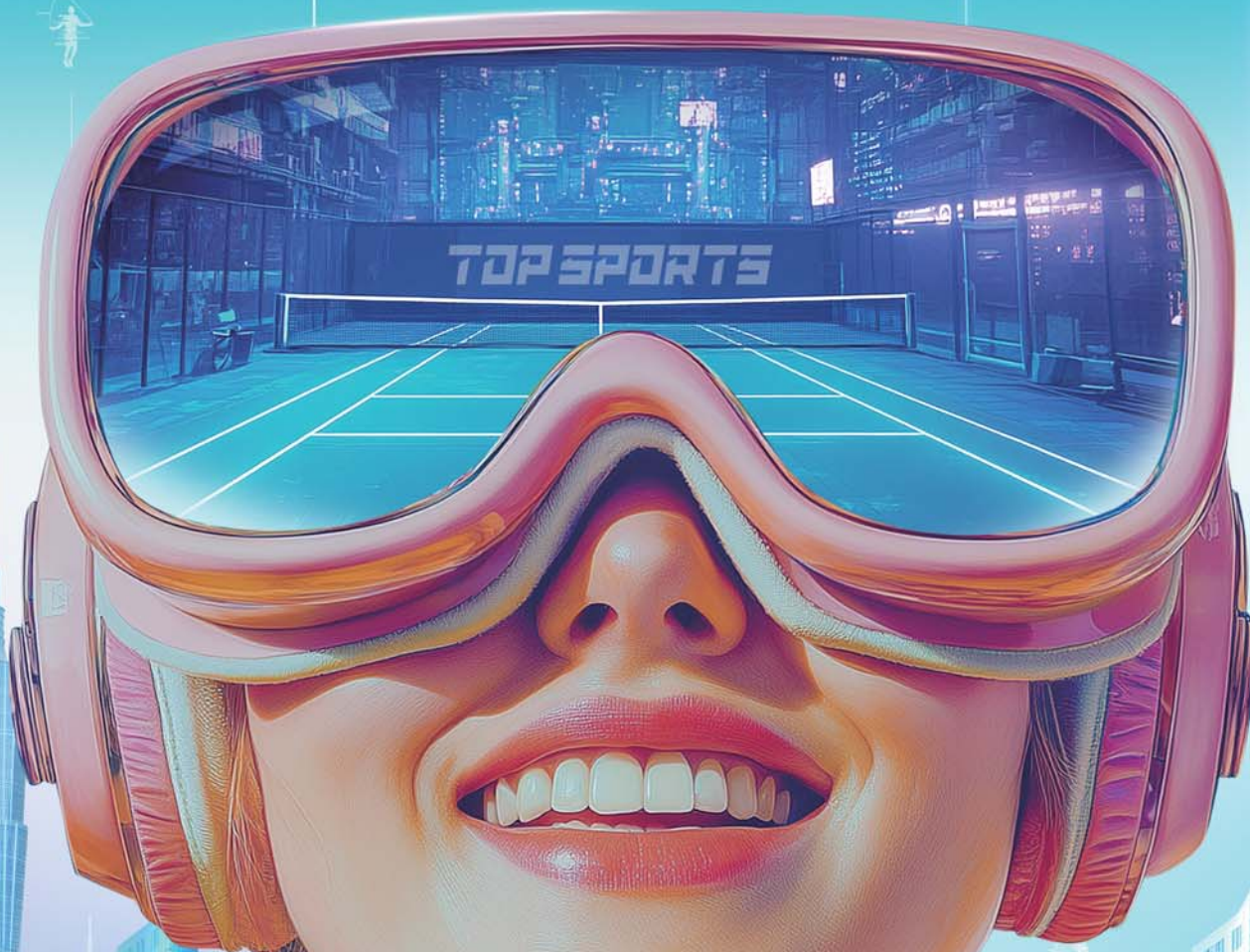


2024/25

INTERIM REPORT

滔搏
TOPSPORTS



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

Executive Directors

Mr. YU Wu
(Chairman & 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

		Unaudited Six months ended 31 August	
		2024	2023
Revenue	RMB million	13,054.7	14,176.5
Gross profit	RMB million	5,362.4	6,340.8
Operating profit	RMB million	1,120.9	1,725.9
Profit attributable to the Company's equity holders	RMB million	873.8	1,337.2
Gross profit margin	%	41.1	44.7
Operating profit margin	%	8.6	12.2
Profit margin attributable to the Company's equity holders	%	6.7	9.4
Earnings per share – basic and diluted	RMB cents	14.09	21.56
Dividend per share – interim	RMB cents	14.00	16.00
Average trade receivables turnover period	days	16.1	14.8
Average trade payables turnover period	days	14.8	17.1
Average inventory turnover period	days	148.3	140.9
		Unaudited As at 31 August 2024	Audited As at 29 February 2024
Gearing ratio	%	Net cash	Net cash
Current ratio	times	2.8	3.2

STATEMENT FROM CEO

MARKET OVERVIEW

During the period, China's economy generally remained stable and showed positive momentum despite a complex and challenging global landscape. Simultaneously, consumer spending remained constrained however, impacted by mounting pressure on household incomes and the persistent decline in real estate values. Macroeconomic data shows that China's gross domestic product (GDP) expanded by 5.0% year-on-year while retail sales of consumer goods lagged behind, growing at a modest 3.7% year-on-year during the first half of 2024.

Along with the overall weakness in consumer demand, consumption patterns are undergoing significant shifts. Firstly, offline stores continue to grapple with diminishing foot traffic as consumers increasingly gravitate towards online platforms, exacerbating the challenge of attracting in-store customers. While online consumption channels, particularly live streaming e-commerce, remain robust, whereas consumer behavior is becoming more discerning. "Value-for-money" and "emotional satisfaction-for-money" have become critical factors in purchase decisions. In this subdued consumer environment, the consumer sportswear market is facing a paradigm shift from capturing incremental growth to competing in a market characterized by sluggishness, presenting new challenges.

Despite these macroeconomic challenges, Topsports has remained proactive and adaptive. In response to evolving consumer behavior and fluctuations in traffic, the Group has adjusted its omni-channel network strategy with more flexibility and balance to further expand its retail presence. It has comprehensively considered the differences among returns on investments of all scenarios while pursuing the expansion of omni-channel traffic. From the offline perspective, Topsports adjusted its retail network strategy, optimising store layouts across various brands, to proactively mitigate declining foot traffic. Similarly, Topsports continuously expanded the online presence and focused its online efforts on driving traffic from digital platforms to offline stores to offset both the impact of weak offline traffic and the subsequent decrease in the efficiency of offline scenarios during the period.

During the period, despite the slowdown in China's overall consumer spending, the sportswear sector has shown resilience. The organization of various sporting events and particularly the outstanding performance of the Chinese Olympic Team at the Paris 2024 Olympics has reinvigorated public enthusiasm for sports. In response to these trends as well as sports category differentiation and consumption stratification, Topsports has continuously leveraged its multi-category layout advantages and consistently enrich its brand cooperation matrix across four major categories: recreational sports, performance sports, leisure sports, and IP culture. Working closely with existing brand partners, Topsports has demonstrated agility in adjusting its strategies in a challenging retail environment. Simultaneously, the Group has expanded its brand portfolio with a forward-looking approach and started cooperations with new partners. Over the past year or so, Topsports has successively established partnerships with HOKA ONE ONE, KAILAS, Fanatics and norda, providing more diverse and enriched products and experience value for consumers in various segments such as outdoor, trail running, hiking and IP culture.

In the current complex market environment, Topsports remains firmly committed to its long-term strategy, adhering to principled decision-making regardless of external fluctuations. Embodying its "Born to Dare" brand spirit, the Group will continue to prioritize long-term brand building and user value creation.

FINANCIAL REVIEW

During the period, the Group's revenue decreased by 7.9% year-on-year to RMB13,054.7 million, due primarily to the impact of weak retail consumer spending and offline traffic decline. The decrease in revenue resulted in short-term increase in inventory, prompting the Group to accordingly enhance its promotional efforts. At the same time, online sales had a steeper discount offering than that of offline sales during the same period, while the proportion of online sales during the period increased year-on-year. These two factors combined contributed towards a year-on-year widening of discount offerings for the retail business, thereby becoming the major reason for the decline in the gross profit margin. Additionally, the increase in inventory impairment provisions and the changes in the proportion of wholesale and retail business have also contributed to a year-on-year decline in the gross profit margin of 3.6 percentage points to 41.1%.

STATEMENT FROM CEO

FINANCIAL REVIEW (Continued)

During the period, the Group's overall selling and distribution expenses and general and administrative expenses decreased by 7.4% year-on-year, with the expense ratio slightly increasing by 0.2 percentage points year-on-year to 33.1%. The main reasons include: the decline in offline traffic negatively impacted the offline stores' operating leverage, while we continuously adjusted the combination of online and offline layouts, flexibly utilizing online scenarios with better expense ratios for sales conversion. The increase in the proportion of online retail sales has helped to partially offset the offline pressure. During the period, the Group's profit attributable to equity holders decreased by 34.7% year-on-year to RMB873.8 million, with the profit margin attributable to equity holders decreasing by 2.7 percentage points year-on-year to 6.7%.

Despite the challenging operating environment and market uncertainties, Topsports maintained healthy cash generation capability. As of 31 August 2024, cash and cash equivalents were RMB2,839.6 million. During the period, net cash generated from operating activities was RMB2,613.5 million, which recorded a 2.5% year-on-year increase despite the profit before income tax decrease by 35.1% year-on-year and is three times the profit attributable to equity holders for the same period. Given this, the Board has resolved to declare an interim dividend of RMB14.00 cents per ordinary share for the year ending 28 February 2025, representing a payout ratio of 99.4%, which is higher than 74.2% of last year same period. Maintaining a dividend payout ratio level significantly higher than the industry fully underscores the Group's firm and proactive commitment to rewarding shareholders through robust cash generations, even in a volatile market environment.

BUSINESS REVIEW

Omni-Channel Retail: Diversifying the Layout

In response to shifting consumer behavior and consumption scenarios, Topsports further enriched its omni-channel layout. During the period, the Group prioritized efficiency as its core focus, implementing a series of measures to adjust the layout of its offline store network in alignment with the brand attributes. Concurrently, as online occasions have emerged as crucial touchpoints for daily consumption, comprehensive omni-channel coverage of the entire consumer journey has become imperative for businesses. Topsports continues to strengthen its omni-channel retail layout, employing a comprehensive combination of "platform-centric e-commerce + content driven e-commerce + private domain operations". This integrated strategy enables Topsports to expand into more diverse online consumption scenarios, positioning itself to capitalize on business opportunities.

In terms of the store layout, we adhere to the principle of "select + optimize", focusing on efficiency and quality while tailoring strategies for over 10 brand partners based on their unique brand attributes. We have implemented an "Each Brand with Unique Approach" strategy to adjust the offline store structure, addressing the operation challenges posed by decreased foot traffic to store operations. For new store openings and renovations, Topsports has implemented stricter selection criteria, carefully controlling the size while emphasizing floor area efficiency. During the period, the Group's expansion efforts mainly concentrated on establishing anchor stores of major brands and further enriching the existence of performance niche brands. In renovating existing stores, the Group prioritized the space of efficiency improvements. Topsports' store closure strategy has been accelerated to eliminate underperforming stores, aligning with market conditions and brand strategies to mitigate the impact of reduced consumer traffic on the operational efficiency of offline stores.

As of 31 August 2024, the Group had 5,813 directly-operated stores, a decrease of 6.4% year-on-year, while gross selling area decreased by 1.9% during the same period. The number of directly-operated stores decreased by 5.4% compared to 29 February 2024, while gross selling area decreased by 2.7%.

STATEMENT FROM CEO

BUSINESS REVIEW (Continued)

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

	28 February 2022	Annual 28 February 2023	29 February 2024	Interim 31 August 2024
Number of stores at the beginning of the period	8,006	7,695	6,565	6,144
Net decrease in the number of stores	(311)	(1,130)	(421)	(331)
Number of stores at the end of the period	7,695	6,565	6,144	5,813
YoY change in gross selling area	5.4%	(6.8%)	(0.8%)	(1.9%)
YoY change in selling area per store	9.6%	9.2%	6.0%	4.8%

During the period, the Group further expanded its online presence, so as to engage with consumers more swiftly and punctually through diverse emerging channels and explore new growth opportunities.

We continue to concentrate on our in-store live-streaming business and enhance the layout of online stores as a virtual extension and reflection of the offline stores as connected. By the end of the period, the number of our mini-program stores exceeded 2,500, marking a significant year-on-year increase, while our live-streaming accounts surpassed 300, nearly doubling year-on-year. Topsports also leveraged social community marketing, local life service platforms, and strategic cross-industry partnerships with third parties to re-direct traffic to offline stores, partially compensating for the pressure from offline traffic.

Leveraging a comprehensive omni-channel strategy, the Group continues to enhance user engagement through online communities, providing one-on-one communication through WeCom, attracting more traffic through Douyin and WeChat video accounts, and facilitating transactions through WeChat mini-programs, thereby creating an interconnected, closed-loop user ecosystem. During the period, the Group engaged users through over 90,000 WeCom groups, with its private domain mini-program maintaining the No.1 placement in WeChat mini-program's sports-and-outdoor category ranking published by Tencent. Notably, its Douyin livestream sales surged by approximately 200% year-on-year during the period, ranking first in the sports and outdoor category on the platform. During the period, online retail sales, including public domain and private domain, accounted for around 30% of total retail sales.

Omni-Channel Retail: Optimising Inventory Management

The Group's approach to inventory management prioritizes maximizing inventory efficiency through broadened inventory flow and omni-channel price management. Topsports refined its business logic and organizational structure to support its "omni-channel inventory sharing" method, enabling unified management and flexible allocation of inventory across channels. For price control, we align prices and products with the unique characteristics of different sales channels.

Topsports is committed to enhancing inventory management accuracy through the implementation of a comprehensive multi-channel and multi-role collaborative operational system, empowered by advanced digital intelligence tools. During the period, the Group continued to iteratively upgrade its inventory management system, boosting supply chain operational efficiency and bringing year-on-year improvements in both stock transfer accuracy and order dispatching efficiency.

STATEMENT FROM CEO

BUSINESS REVIEW (Continued)

Omni-Channel Retail: Optimising Inventory Management (Continued)

As of 31 August 2024, the Group's inventory increased by 6.4% year-on-year to RMB6,119.9 million as a result of sales decline but declined by 2.6% compared to that as of 29 February 2024. However, we perceive the inventory status as controllable in general looking forward, given the persistent execution of measures as above, in conjunction with the collaborative efforts to react jointly with our brand partners.

Omni-Channel Retail: Streamlined and Efficient Talent Pipeline

Talent is the cornerstone of the long-term development of a company. Topsports prioritizes talent acquisition and cultivation on a strategic level, offering comprehensive training system and a clear career progression to enhance employee job satisfaction and professional capabilities. This approach fosters mutual growth of the Group and its workforce. By nurturing an efficient and adaptable team, the Group strengthened its organizational foundation for long-term healthy growth.

During the period, Topsports continuously optimized its organizational structure to build a more agile and efficient talent pipeline to adapt to changing market trends and consumer behavior. In response to declining offline traffic and corresponding adjustments in store network, we strategically realigned store staffing, continuously streamlined the overall organization structure. Meanwhile, we increased the number of professionals specialized in live-streaming and private domain operations within the organization so as to support the needs of new business development in the context of Omni-channel retail layout, leading to a more diversified team skill set.

We are simultaneously developing and integrating a variety of digital intelligence tools to enhance the precision of human resource allocation by utilizing digital assessment and management systems. Additionally, we are exploring the application of artificial intelligence technology in retail as well as middle and back office management, to enable our teams to achieve wider and deeper synergy and collaboration.

As of 31 August 2024, the total number of employees was 28,941, a decrease of 3.2% year-on-year and 1.8% when compared to the 29 February 2024. The year-on-year and sequential decline in the total number of employees are less than the decline in the total number of stores during the same period, which is in line with the company's overall staffing strategy under Omni-channel retail layout.

Users: More Precise and Targeted Operations

In the current market landscape, overcoming traffic bottlenecks and rising customer acquisition costs, while building deeper consumer relationships and implementing more precise communication strategies, has become a critical issue for business expansion. The volatility in demand and the evolving role of channels within an Omni-channel consumption landscape have intensified the challenge of accurately capturing user mindshare and fostering loyalty. In response, using a consumer-centric approach, Topsports has concentrated on delivering a diverse value proposition and tapping into the potential value of each user. During this process, the Group is enhancing operational processes by deploying digital tools. This dual approach has built a healthy ecosystem where increased value is provided to users, strengthening the bond and fostering deeper connections with them.

STATEMENT FROM CEO

BUSINESS REVIEW (Continued)

Users: More Precise and Targeted Operations (Continued)

During the period, the user base of Topsports continued to expand, growing to 81 million. We have continuously attracted new user groups through scenario-based, engaging Omni-channel marketing, as well as cross-industry collaborations. In response to dampened offline traffic, the Group has been expanding the online platform presence itself and exploring innovative ways to direct online traffic to its offline stores. We have introduced new customer acquisition tools, such as mini-program pages and group-buying features, along with in-store traffic-driving methods from third-party platforms like Douyin, Meituan, and Dianping, providing new channels for store-based customer acquisition. At the same time, we have integrated and connected Topsports' user data across more platforms, enabling users to enjoy more consistent rights across all of Topsports' Omni-channel platforms.

While pursuing incremental user growth, Topsports recognizes the significant value its existing users may offer. To capitalize on this, the Group has combined refined customer profiling and behavioral analysis to deliver customized product recommendations and targeted marketing, markedly improving the accuracy and efficiency of its marketing and promotional efforts. Diverse marketing activities and cohesive interactive scenarios have optimized the customer experiences and strengthening their sense of belonging and therefore increased customer stickiness and improved conversion rates.

Topsports forged engagement opportunities by hosting various types of member activities, and by upgrading the content and formats of these activities, enhancing member benefits, and refining member value, we have enhanced user activity and conversion rates. In addition to regular membership activities such as the May Day card collection, 99 Member Month, Chinese New Year Shopping Festival, and themed events in popular tourist destinations, the Group also launched a special Olympic-Gold-Medal-themed marketing campaign for this summer's Paris Olympic season. This included online product promotions and over 100 offline experience events, such as "Gold Medal Gear List" and "Gold Medal Training Camp". These initiatives successfully engaged more than 10,000 participants and ignited passion for sports among consumers. For high-value users, we offered exclusive offline activities, cross-industry partnerships, and activities in private domain communities to reward their persistent support.

During the period, the Group introduced a new community IP "Ignite Your Sports Life", which spans over ten sports categories including running, basketball, yoga, street dance, and football and has incubated more than 100 sports interest communities. Additionally, under its running-focused IP "TOP Run Free", the Group organized nearly 50 professional running events and freestyle marathons across the country. The launch of sports communities and running activity IPs not only provided users with professional training and social experiences centered around sports but also enhanced Topsports' brand influence among niche-sports enthusiasts. Moreover, we supported our brand partners in hosting in-store events during celebrity China tours, offering more emotional resonance for audiences of targeted groups.

By implementing these measures, re-purchasing members accounted for approximately 60-70% of the overall member consumption, which remaining largely stable year-on-year despite the volatile consumption backdrop. Our efforts to cultivate loyalty among high-value members also yielded positive results. While these high-value members represented only a Mid-Single-Digit percentage of the total purchasing members, they contributed nearly 40% of total sales from the same member groups. Their average order value was significantly higher than that of the overall member base, demonstrating their strong consumption potential and loyalty.

STATEMENT FROM CEO

BUSINESS REVIEW (Continued)

Users: More Precise and Targeted Operations (Continued)

	28 February 2023	As at 31 August 2023	29 February 2024	31 August 2024
Cumulative user base* (Million)	67.9	73.1	76.3	81.0
Percentage of in-store retail sales (including VAT) contributed by members during the period [#]	94.0%	92.7%	93.4%	93.7%

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

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

Driving Future Growth through Category Expansion with Innovative Efforts

From our observation on consumer behavior trends, Gen-Z and the new middle class continue to be the primary drivers of sports consumption market growth. Therefore, Topsports has been expanding its presence in potential niche sports and lifestyle segments, addressing the personalized needs of young consumers for “spiritual self-fulfillment”, “value reconstruction” and “exploration of the outside world”. The Group is keenly attuned to the consumption trends of “internal self-discovery and external exploration of nature” among modern youth, constantly monitoring changes in their lifestyles and interests. Topsports remains vigilant to emerging trends in outdoor adventures, pop culture and e-sports. By continuously diversifying and enhancing its product and service offerings, the Group aims to co-create experiences and resonate with consumers on a deeper, more emotional level in new consumption scenarios.

In response to market and consumption changes, Topsports further expanded its brand collaboration matrix during the period, adopting diverse models to explore emerging trendy sports categories and more professional niche sports segments. Following the partnerships with HOKA ONE ONE and KAILAS, the Group became the exclusive operation partner in the Chinese market for norda, a high-end Canadian trail running shoe brand. Topsports facilitated to establish norda’s flagship store on Tmall, created official accounts on social media platforms like Xiaohongshu, and is also planning offline pop-up stores and mono-brand stores. This allows it to fully capture the growth potential in trail running, a niche segment of outdoor sports. Furthermore, building on its partnership with Fanatics, a leading global digital sports platform for licensed sports merchandise, the Group has continued to expand the commercialization of Fanatics’ licensed sports IP in the Greater China region. Topsports established both online and offline stores for Mitchell & Ness, a vintage inspired sportswear brand with “1904, ‘till infinity” spirit, while implementing cross-platform operation of its social media presence. The Group believes that the strategic layouts of niche categories above will plant new seeds for its future development.

STATEMENT FROM CEO

FUTURE OUTLOOK

Adaptive Strategies for Changes and Future-Oriented Positioning

Despite the current uncertainty of the sports consumption market, in the face of emerging categories, brands, coupled with rapid iteration of consumption occasions, we choose to actively adapt to change while staying true to its core value and respond with courage. With forward-looking and agile strategic execution, we are dedicated to creating enduring value for consumers, shareholders, partners and society.

Future Development Initiatives

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

YU Wu

Chairman & Chief Executive Officer

Hong Kong, 23 October 2024

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 31 August 2024, the Group recorded revenue of RMB13,054.7 million, a decrease of 7.9% compared with that of the six months ended 31 August 2023. The Group recorded operating profit of RMB1,120.9 million, a decrease of 35.1% compared with that of the six months ended 31 August 2023. The profit attributable to the Company's equity holders during the period under review amounted to RMB873.8 million, a decrease of 34.7% compared with that of the six months ended 31 August 2023.

REVENUE

The Group's revenue decreased by 7.9%, from RMB14,176.5 million for the six months ended 31 August 2023 to RMB13,054.7 million for the six months ended 31 August 2024. The decline was mainly due to the impact of weak retail consumer spending and offline traffic decline during the period under review. 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 periods indicated:

	Six months ended 31 August		2023		Decline rate
	Revenue	% of total	Revenue	% of total	
Principal brands*	11,351.3	87.0%	12,346.8	87.1%	8.1%
Other brands*	1,608.8	12.3%	1,721.4	12.1%	6.5%
Concessionaire fee income	73.2	0.5%	86.8	0.6%	15.7%
e-Sports income	21.4	0.2%	21.5	0.2%	0.5%
Total	13,054.7	100.0%	14,176.5	100.0%	7.9%

Unit: RMB million

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE (Continued)

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 periods indicated:

	Six months ended 31 August		2023		Decline rate
	2024		2023		
	Revenue	% of total	Revenue	% of total	
Retail operations	10,924.7	83.7%	11,987.7	84.6%	8.9%
Wholesales operations	2,035.4	15.6%	2,080.5	14.6%	2.2%
Concessionaire fee income	73.2	0.5%	86.8	0.6%	15.7%
e-Sports income	21.4	0.2%	21.5	0.2%	0.5%
Total	13,054.7	100.0%	14,176.5	100.0%	7.9%

Unit: RMB million

PROFITABILITY

The Group's operating profit decreased by 35.1% to RMB1,120.9 million for the six months ended 31 August 2024. The profit attributable to the Company's equity holders decreased by 34.7% to RMB873.8 million for the six months ended 31 August 2024.

	Six months ended 31 August		Decline rate
	2024	2023	
Revenue	13,054.7	14,176.5	7.9%
Cost of sales	(7,692.3)	(7,835.7)	1.8%
Gross profit	5,362.4	6,340.8	15.4%
Gross profit margin	41.1%	44.7%	

Unit: RMB million

Cost of sales decreased by 1.8% from RMB7,835.7 million for the six months ended 31 August 2023 to RMB7,692.3 million for the six months ended 31 August 2024. Gross profit of the Group decreased by 15.4% to RMB5,362.4 million for the six months ended 31 August 2024 from RMB6,340.8 million for the six months ended 31 August 2023.

During the period under review, the gross profit margin of the Group was 41.1%, decreased by 3.6 percentage points, from 44.7% for the six months ended 31 August 2023. Decrease in gross profit margin primarily due to a decrease in revenue resulted in short-term increase in inventory, prompting the Group to accordingly enhance its promotional efforts. As of 31 August 2024, the inventory increased by 6.4% to RMB6,119.9 million, as compared with RMB5,753.7 million as at 31 August 2023. At the same time, online sales had a steeper discount offering than that of offline sales during the same period, while the proportion of online sales during the period increased year-on-year. These two factors combined contributed towards a year-on-year widening of discount offerings for the retail business, thereby becoming the major reason for the decline in the gross profit margin. Additionally, the increase in inventory impairment provisions and the changes in the proportion of wholesale and retail business have also affected the performance of gross profit margin during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFITABILITY (Continued)

Selling and distribution expenses for the six months ended 31 August 2024 were RMB3,821.9 million (six months ended 31 August 2023: RMB4,110.1 million), accounting for 29.3% of the Group's revenue (six months ended 31 August 2023: 29.0%). 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, impairment on right-of-use assets, and other expenses which mainly include store operation expenses, property management fees, logistics expenses and online service fees. Decrease in selling and distribution expenses primarily due to sales decline during the period resulting in a decrease in concessionaire and lease expenses, depreciation of right-of-use assets in relation to the stores and sales personnel salaries and commissions.

General and administrative expenses for the six months ended 31 August 2024 were RMB495.0 million (six months ended 31 August 2023: RMB552.5 million), accounting for 3.8% of the Group's revenue (six months ended 31 August 2023: 3.9%). The general and administrative expenses primarily include lease expenses in relation to office premises, management and administrative personnel salaries, depreciation and amortization charges, other tax expenses and other expenses. Decrease in general and administrative expenses primarily attributable to continuing optimization of organizational structure resulting in a decrease in staff costs and decrease in other tax expenses during the period under review.

In the position of declining revenue, selling and distribution expenses and general and administrative expenses as a percentage of the Group's revenue slightly increased by 0.2 percentage points which was mainly due to the decline in offline traffic negatively impacted the offline stores' operating leverage during the period under review, partly offset by adjusting the combination of online and offline layouts resulting in an increase in the proportion of online retail sales and utilizing online scenarios with better expense ratios for sales conversion.

Finance income decreased from RMB59.6 million for the six months ended 31 August 2023 to RMB46.8 million for the six months ended 31 August 2024. Decrease in finance income was due to less interest income of bank deposits incurred, as the average balance of bank deposits and weighted average interest rate for the six months ended 31 August 2024 was lower than the same period of last year.

Finance costs decreased from RMB77.9 million for the six months ended 31 August 2023 to RMB59.3 million for the six months ended 31 August 2024, primarily as a result of less interest expenses of short-term borrowings incurred, as weighted average interest rate of short-term borrowings for the six months ended 31 August 2024 was lower than the same period of last year, and decrease in interest expenses on lease liabilities during the period under review.

Income tax expense for the six months ended 31 August 2024 amounted to RMB234.6 million (six months ended 31 August 2023: RMB370.9 million). The effective income tax rate slightly decreased by 0.5 percentage points to 21.2% for the six months ended 31 August 2024 from 21.7% for the six months ended 31 August 2023. 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 six months ended 31 August 2024 amounted to RMB77.2 million (six months ended 31 August 2023: RMB46.2 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. During the six months ended 31 August 2024, the total capital expenditure was RMB207.4 million (six months ended 31 August 2023: RMB188.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

BASIC EARNINGS PER SHARE

Basic earnings per share for the six months ended 31 August 2024 decreased by 34.7% to RMB14.09 cents from RMB21.56 cents for the six months ended 31 August 2023.

Basic earnings per share is calculated by dividing profit attributable to the Company's equity holders of RMB873.8 million for the six months ended 31 August 2024 (six months ended 31 August 2023: RMB1,337.2 million) by the weighted average number of ordinary shares of the Company in issue of 6,201,222,024 shares (six months ended 31 August 2023: 6,201,222,024 shares).

		Six months ended 31 August	
		2024	2023
Profit for the period attributable to the Company's equity holders	RMB million	873.8	1,337.2
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	14.09	21.56

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, net cash generated from operations increased by RMB22.2 million to RMB2,702.9 million for the six months ended 31 August 2024 from RMB2,680.7 million for the six months ended 31 August 2023.

Net cash used in investing activities for the six months ended 31 August 2024 was RMB110.4 million (six months ended 31 August 2023: Net cash used in RMB43.6 million). During the period under review, the Group invested RMB157.3 million on payments for purchases of property, plant and equipment and intangible assets and placement of other bank deposits of RMB3,150.0 million, offset by proceeds from disposals of property, plant and equipment of RMB0.7 million, withdrawal of other bank deposits of RMB3,150.0 million and interest received of RMB46.2 million.

During the period under review, net cash used in financing activities was RMB1,619.5 million (six months ended 31 August 2023: net cash used in RMB1,716.4 million), mainly due to the repayments of short-term borrowings of RMB720.1 million, placement of short-term pledged bank deposits of RMB150.0 million, payments for lease liabilities (including interest) of RMB575.7 million and payments of the 2023/24 final dividend of RMB310.1 million and the 2023/24 special dividend of RMB930.2 million by the Group during the period, partly offset by proceeds from short-term borrowings of RMB950.0 million and withdrawal of short-term pledged bank deposits of RMB126.1 million.

As at 31 August 2024, the Group held short-term pledged bank deposits and cash and cash equivalents totaling RMB2,989.6 million, after netting off the short-term borrowings of RMB950.0 million, it was in a net cash position of RMB2,039.6 million. As at 29 February 2024, the Group held short-term pledged bank deposits and cash and cash equivalents totaling RMB2,082.1 million, after netting off the short-term borrowings of RMB720.1 million, it was in a net cash position of RMB1,362.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS

GEARING RATIO

As at 31 August 2024, the gearing ratio (net debt (short-term borrowings less bank deposits, cash and cash equivalents) divided by total capital (total equity plus net debt)) of the Group had a net cash position (29 February 2024: net cash position) and the aggregate balances of short-term pledged bank deposits and cash and cash equivalents exceeded the total balance of short-term borrowings by RMB2,039.6 million (29 February 2024: RMB1,362.0 million).

PLEDGE OF ASSETS

As at 31 August 2024, except for the short-term pledged bank deposits of RMB150.0 million, no assets were pledged as security for banking facilities available to the Group.

CONTINGENT LIABILITIES

As at 31 August 2024, the Group had no material contingent liabilities.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in this report, the Group did not hold any significant investments for the six months ended 31 August 2024.

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 31 August 2024.

MATERIAL ACQUISITIONS AND DISPOSALS

For the six months ended 31 August 2024, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

HUMAN RESOURCES

As at 31 August 2024, the Group had a total of 28,941 employees (29 February 2024: 29,458 employees). For the six months ended 31 August 2024, total staff costs were RMB1,361.5 million (six months ended 31 August 2023: RMB1,413.4 million), accounting for 10.4% (six months ended 31 August 2023: 10.0%) of the revenue of the Group. The Group offers a competitive remuneration package to its employees, including mandatory retirement funds, insurance and medical coverage. In addition, discretionary bonus may be granted to eligible employees based on the Group's and individual's performance. The Group also allocated resources for providing continuing education and training for management and employees so as to improve their skills and knowledge.

FOREIGN EXCHANGE RISK

The Group mainly operates in Mainland China with most of its transactions originally denominated and settled in RMB. Foreign exchange risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk from fluctuation of various currencies, primarily with respect to Hong Kong dollars mainly for its payments of dividends to shareholders.

The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures and may enter into certain forward foreign exchange contracts, when necessary, to manage its exposure against Hong Kong dollars and to mitigate the impact on exchange rate fluctuations. During the period under review, the Group did not enter into any forward foreign exchange contracts.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The board of directors of the Company (the “Board”) has resolved to declare an interim dividend of RMB14.00 cents per ordinary share (the “Interim Dividend”), totaling RMB868.2 million for the six months ended 31 August 2024.

The Interim Dividend will be paid on or about Thursday, 19 December 2024 to shareholders whose names appear on the register of members of the Company on Friday, 6 December 2024.

The actual exchange rate for the purpose of Interim Dividend payment in Hong Kong dollars is the offshore exchange rate (Buying TT) of RMB against Hong Kong dollars (RMB1.00 = HK\$1.0763) as quoted by the Hong Kong Association of Banks on Wednesday, 23 October 2024, being the date on which the Interim Dividend is declared by the Board. Accordingly, the amount of the Interim Dividend is HK\$15.07 cents per ordinary share.

The Board is of the view that the Company will be able to pay its debts as they fall due in its ordinary course of business immediately following the payment of the Interim Dividend and the declaration of the Interim Dividend will not have an adverse impact on the business of the Company.

CLOSURE OF REGISTER OF MEMBERS

The Interim Dividend will be payable on or about Thursday, 19 December 2024 to the shareholders whose names appear on the register of members of the Company on Friday, 6 December 2024. For the purpose of ascertaining shareholder’s eligibility for the Interim Dividend, the register of members of the Company will be closed from Wednesday, 4 December 2024 to Friday, 6 December 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the above mentioned Interim Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, for registration by no later than 4:30 p.m. on Tuesday, 3 December 2024.

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

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

Saved as disclosed above, there are no other significant events subsequent to 31 August 2024 which would materially affect the Group’s operating and financial performance as of the date of this report.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF TOPSPORTS INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 36, which comprises the condensed consolidated balance sheet of Topsports International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 August 2024 and the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting”. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 23 October 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 August 2024

		Unaudited Six months ended 31 August	
		2024	2023
	Note	RMB million	RMB million
Revenue	6	13,054.7	14,176.5
Cost of sales	8	(7,692.3)	(7,835.7)
Gross profit		5,362.4	6,340.8
Selling and distribution expenses	8	(3,821.9)	(4,110.1)
General and administrative expenses	8	(495.0)	(552.5)
(Provision for)/reversal of impairment of trade receivables	17	(1.8)	1.5
Other income	7	77.2	46.2
Operating profit		1,120.9	1,725.9
Finance income		46.8	59.6
Finance costs		(59.3)	(77.9)
Finance costs, net	9	(12.5)	(18.3)
Profit before income tax		1,108.4	1,707.6
Income tax expense	10	(234.6)	(370.9)
Profit for the period		873.8	1,336.7
Attributable to:			
Equity holders of the Company		873.8	1,337.2
Non-controlling interests		–	(0.5)
		873.8	1,336.7
Earnings per share for profit attributable to equity holders of the Company during the period		RMB cents	RMB cents
Basic and diluted earnings per share	11	14.09	21.56

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 August 2024

	Unaudited	
	Six months ended 31 August 2024	2023
	RMB million	RMB million
Profit for the period	873.8	1,336.7
Other comprehensive income		
<i>Items that will not be reclassified to profit or loss:</i>		
Exchange differences	(0.2)	–
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences	22.6	38.0
Total comprehensive income for the period	896.2	1,374.7
Attributable to:		
Equity holders of the Company	896.2	1,375.2
Non-controlling interests	–	(0.5)
	896.2	1,374.7

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

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2024

		Unaudited As at 31 August 2024 RMB million	Audited As at 29 February 2024 RMB million
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	13	588.6	638.7
Right-of-use assets	14(a)	1,813.3	1,821.4
Intangible assets	13	1,054.4	1,059.4
Long-term deposits, prepayments and other receivables	15	223.4	214.9
Financial asset at fair value through profit or loss		45.9	45.9
Deferred income tax assets		266.8	204.6
		<u>3,992.4</u>	<u>3,984.9</u>
Current assets			
Inventories	16	6,119.9	6,283.8
Trade receivables	17	949.4	1,329.6
Deposits, prepayments and other receivables	15	864.3	863.6
Short-term pledged bank deposits	18	150.0	126.1
Cash and cash equivalents	18	2,839.6	1,956.0
		<u>10,923.2</u>	<u>10,559.1</u>
Total assets		<u>14,915.6</u>	<u>14,544.0</u>
LIABILITIES			
Non-current liabilities			
Lease liabilities	14(b)	1,241.6	1,098.1
Deferred income tax liabilities		282.4	249.0
		<u>1,524.0</u>	<u>1,347.1</u>
Current liabilities			
Trade payables	19	846.8	387.1
Other payables, accruals and other liabilities		893.7	1,087.6
Short-term borrowings	20	950.0	720.1
Lease liabilities	14(b)	759.1	890.0
Current income tax liabilities		435.7	261.7
		<u>3,885.3</u>	<u>3,346.5</u>
Total liabilities		<u>5,409.3</u>	<u>4,693.6</u>
Net assets		<u>9,506.3</u>	<u>9,850.4</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 August 2024

		Unaudited As at 31 August 2024 RMB million	Audited As at 29 February 2024 RMB million
	Note		
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	21	–	–
Other reserves	22	1,839.0	1,804.9
Retained earnings		7,665.8	8,044.0
		9,504.8	9,848.9
Non-controlling interests		1.5	1.5
Total equity		9,506.3	9,850.4

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

The condensed consolidated interim financial information on pages 18 to 36 were approved by the Board of Directors on 23 October 2024 and were signed on its behalf by:

YU Wu
Director

LEUNG Kam Kwan
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 August 2024

	Unaudited					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital RMB million (Note 21)	Other reserves RMB million (Note 22)	Retained earnings RMB million	Total RMB million	RMB million	RMB million
For the six months ended 31 August 2024						
At 1 March 2024	–	1,804.9	8,044.0	9,848.9	1.5	9,850.4
Comprehensive income:						
Profit for the period	–	–	873.8	873.8	–	873.8
Other comprehensive income:						
Exchange difference	–	22.4	–	22.4	–	22.4
Total comprehensive income for the period	–	22.4	873.8	896.2	–	896.2
Transactions with equity holders						
Dividends (Note 12(b))	–	–	(1,240.3)	(1,240.3)	–	(1,240.3)
	–	–	(1,240.3)	(1,240.3)	–	(1,240.3)
Appropriation to statutory reserves	–	11.7	(11.7)	–	–	–
At 31 August 2024	–	1,839.0	7,665.8	9,504.8	1.5	9,506.3
For the six months ended 31 August 2023						
At 1 March 2023	–	1,741.7	8,091.9	9,833.6	–	9,833.6
Comprehensive income:						
Profit for the period	–	–	1,337.2	1,337.2	(0.5)	1,336.7
Other comprehensive income:						
Exchange difference	–	38.0	–	38.0	–	38.0
Total comprehensive income for the period	–	38.0	1,337.2	1,375.2	(0.5)	1,374.7
Transactions with equity holders						
Dividends (Note 12(d))	–	–	(1,240.3)	(1,240.3)	–	(1,240.3)
Acquisition of a subsidiary	–	–	–	–	3.2	3.2
	–	–	(1,240.3)	(1,240.3)	3.2	(1,237.1)
Appropriation to statutory reserves	–	2.7	(2.7)	–	–	–
At 31 August 2023	–	1,782.4	8,186.1	9,968.5	2.7	9,971.2

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 August 2024

	Unaudited	
	Six months ended 31 August	
	2024	2023
	RMB million	RMB million
Cash flows from operating activities		
Net cash generated from operations	2,702.9	2,680.7
Income tax paid	(89.4)	(129.9)
Net cash generated from operating activities	2,613.5	2,550.8
Cash flows from investing activities		
Payments for purchases of property, plant and equipment and intangible assets	(157.3)	(187.0)
Payments for acquisition of investments in subsidiary	–	(2.5)
Proceeds from disposals of property, plant and equipment	0.7	1.3
Placement of other bank deposits	(3,150.0)	(1,058.9)
Withdrawal of other bank deposits	3,150.0	1,058.9
Payment for purchase of financial asset at fair value through profit or loss	–	(40.9)
Proceeds from disposal of financial asset at fair value through profit or loss	–	20.0
Interest received	46.2	165.5
Net cash used in investing activities	(110.4)	(43.6)
Cash flows from financing activities		
Proceeds from short-term borrowings	950.0	840.0
Repayments of short-term borrowings	(720.1)	(1,545.0)
Placement of short-term pledged bank deposits	(150.0)	(246.0)
Withdrawal of short-term pledged bank deposits	126.1	1,286.0
Payments for lease liabilities (including interest)	(575.7)	(801.3)
Interest paid for bank borrowings	(9.5)	(9.8)
Dividends paid	(1,240.3)	(1,240.3)
Net cash used in financing activities	(1,619.5)	(1,716.4)
Net increase in cash and cash equivalents	883.6	790.8
Cash and cash equivalents at beginning of the period	1,956.0	2,357.4
Cash and cash equivalents at end of the period	2,839.6	3,148.2

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Topsports International Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are principally engaged in the sales of sportswear products and leasing commercial spaces to other retailers for concessionaire sales in the People’s Republic of China (the “PRC”).

The Company was incorporated in the Cayman Islands on 5 September 2018 as an exempted company with limited liability under the Companies Law (2018 Revision) of the Cayman Islands, Cap.22, (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time. The address of the Company’s registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

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 31 August 2024, no party holds more than 50% equity interest in the Company.

The condensed consolidated interim financial information is presented in Renminbi (“RMB”) and all amounts are rounded to the nearest 0.1 million (“RMB0.1 million”) except when otherwise indicated.

The condensed consolidated interim financial information for the six months ended 31 August 2024 is unaudited and has been reviewed by the external auditor of the Company.

2 Basis of preparation and accounting policies

The condensed consolidated interim financial information for the six months ended 31 August 2024 has been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” and should be read in conjunction with the consolidated financial statements for the year ended 29 February 2024, which have been prepared in accordance with IFRS Accounting Standards.

The accounting policies used in the preparation of this condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 29 February 2024, except as mentioned below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(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 2024:

Amendments to IFRS 16

Amendments to IAS 1

Amendments to IAS 7 and IFRS 7

Lease liability in a sale and leaseback

Classification of liabilities as current or non-current and non-current liabilities with covenants

Supplier Finance Arrangements

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation and accounting policies (Continued)

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

A number of new standards, amendments to existing standards and interpretation have been published that are not mandatory for reporting period beginning 1 March 2024 and have not been early adopted by the Group:

Amendments to IAS 21	Lack of Exchangeability ⁽¹⁾
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments ⁽²⁾
IFRS 18	Presentation and Disclosure in Financial Statements ⁽³⁾
IFRS 19	Subsidiaries without Public Accountability: Disclosures ⁽³⁾
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 March 2025.

⁽²⁾ Effective for the Group for annual period beginning on 1 March 2026.

⁽³⁾ Effective for the Group for annual period beginning on 1 March 2027.

⁽⁴⁾ Effective date to be determined.

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

3 Critical accounting estimates and judgments

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this condensed consolidated interim financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those applied to the consolidated financial statements for the year ended 29 February 2024.

4 Financial risk management and financial instruments

4.1 Financial risk factors

This condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended 29 February 2024.

There have been no material changes in the risk management policies since 29 February 2024.

4.2 Fair value estimation

As at 31 August 2024 and 29 February 2024, financial asset at fair value through profit or loss of RMB45.9 million represents investment in an unlisted company. The fair value of the Group's financial asset designated at fair value through profit or loss is determined based on the recent transaction price (level 3). There was no transfer between levels 1, 2 and 3 during the six months ended 31 August 2024.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Segment information

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

The chief operating decision-maker (the “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 31 August 2024 and 29 February 2024, substantially all of the non-current assets of the Group were located in the PRC.

6 Revenue

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
Sale of goods	12,960.1	14,068.2
Concessionaire fee income	73.2	86.8
Others	21.4	21.5
	13,054.7	14,176.5

7 Other income

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
Government incentives (note)	77.1	38.4
Others	0.1	7.8
	77.2	46.2

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Expenses by nature

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
Cost of inventories recognized as expenses included in cost of sales	7,601.7	7,824.2
Staff costs	1,361.5	1,413.4
Lease expenses (mainly including concessionaire fee expenses)	1,089.1	1,315.4
Depreciation on right-of-use assets (Note 14(a))	468.6	567.0
Depreciation on property, plant and equipment (Note 13)	233.0	255.4
Amortization of intangible assets (Note 13)	9.7	11.2
Gain on disposal of right-of-use assets (included in selling and distribution expenses)	(41.9)	(24.6)
Loss on disposal of property, plant and equipment	–	0.4
Write-off of property, plant and equipment	0.6	1.6
Net impairment of inventories recognized as expenses included in cost of sales (Note 16)	90.6	11.5
Impairment on right-of-use assets (included in selling and distribution expenses) (Note 14(a))	118.9	88.1
Provision for/(reversal of) impairment on property, plant and equipment (Note 13)	18.4	(5.8)
Other tax expenses	30.8	54.5
Others	1,028.2	986.0
Total cost of sales, selling and distribution expenses and general and administrative expenses	12,009.2	12,498.3

9 Finance costs, net

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
Interest income from bank deposits	46.8	59.6
Finance income	46.8	59.6
Interest expense on bank borrowings	(8.5)	(10.9)
Interest expense on lease liabilities (Note 14(b))	(50.8)	(67.0)
Finance costs	(59.3)	(77.9)
Finance costs, net	(12.5)	(18.3)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Income tax expense

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
Current income tax - PRC corporate income tax		
– Current period	225.1	256.4
– Under-provision in prior years	25.8	2.0
– Withholding tax	12.5	3.8
Deferred income taxes	(28.8)	108.7
	234.6	370.9

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

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. Subsidiaries incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% (six months ended 31 August 2023: 16.5%). No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong. During the period, most of the PRC established subsidiaries of the Company are subject to the PRC corporate income tax rate of 25% (six months ended 31 August 2023: 25%) except that certain subsidiaries are subject to various preferential tax treatments.

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

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 period.

		Six months ended 31 August	
		2024	2023
Profit for the period attributable to equity holders of the Company	RMB million	873.8	1,337.2
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	14.09	21.56

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Earnings per share (Continued)

(b) Diluted

Diluted earnings per share presented is the same as the basic earnings per share as there was no potentially dilutive ordinary share during the six months ended 31 August 2024 and 2023.

12 Dividends

- (a) At a meeting held on 23 October 2024, the directors declared an interim dividend of RMB14.00 cents or equivalent to HK\$15.07 cents per ordinary share (totaling RMB868.2 million) for the year ending 28 February 2025, which was declared after the end of the reporting period is not reflected as dividend payable in this interim financial information.
- (b) At a meeting held on 22 May 2024, the directors recommended a final dividend of RMB5.00 cents or equivalent to HK\$5.32 cents per ordinary share (totaling RMB310.1 million) and a special dividend of RMB15.00 cents or equivalent to HK\$15.97 cents per ordinary share (totaling RMB930.2 million) for the year ended 29 February 2024, which were paid during the six months ended 31 August 2024.
- (c) At a meeting held on 18 October 2023, the directors declared an interim dividend of RMB16.00 cents or equivalent to HK\$16.89 cents per ordinary share (totaling RMB992.2 million) for the year ended 29 February 2024, which was paid during the year ended 29 February 2024.
- (d) At a meeting held on 23 May 2023, the directors recommended a final dividend of RMB5.00 cents or equivalent to HK\$5.50 cents per ordinary share (totaling RMB310.1 million) and a special dividend of RMB15.00 cents or equivalent to HK\$16.49 cents per ordinary share (totaling RMB930.2 million) for the year ended 28 February 2023, which were paid during the six months ended 31 August 2023.

13 Property, plant and equipment and intangible assets

	Property, plant and equipment RMB million	Goodwill RMB million	Other intangible assets RMB million (note)	Total intangible assets RMB million	Total RMB million
Net book value as at 1 March 2023	733.2	1,002.4	71.0	1,073.4	1,806.6
Additions	181.1	3.1	4.0	7.1	188.2
Depreciation/amortization	(255.4)	–	(11.2)	(11.2)	(266.6)
Disposals/write-off	(3.2)	–	(0.5)	(0.5)	(3.7)
Reversal of impairment	5.8	–	–	–	5.8
Net book value as at 31 August 2023	661.5	1,005.5	63.3	1,068.8	1,730.3
Net book value as at 1 March 2024	638.7	1,005.5	53.9	1,059.4	1,698.1
Additions	202.6	–	4.8	4.8	207.4
Depreciation/amortization	(233.0)	–	(9.7)	(9.7)	(242.7)
Disposals/write-off	(1.3)	–	(0.1)	(0.1)	(1.4)
Impairment loss	(18.4)	–	–	–	(18.4)
Net book value as at 31 August 2024	588.6	1,005.5	48.9	1,054.4	1,643.0

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Lease

(a) Right-of-use assets

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
As at 1 March	1,821.4	2,424.6
Inception of lease contracts (Note 23(b))	641.1	369.5
Depreciation (Note 8)	(468.6)	(567.0)
Termination and remeasurement	(61.7)	(156.1)
Impairment (Note 8)	(118.9)	(88.1)
As at 31 August	1,813.3	1,982.9

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 10 years.

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to sales generated from the leased stores. Variable payment terms are used to link lease payments to store cash flows and reduce fixed cost.

The Group's lease expenses (see Note 8) are primarily for variable lease payments; expenses relating to short-term leases are relatively insignificant (also see note (c) below). The Group'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.

(b) Lease liabilities

	Six months ended 31 August	
	2024 RMB million	2023 RMB million
As at 1 March	1,988.1	2,662.1
Inception of lease contracts	641.1	369.5
Interest expense on lease liabilities (Note 9)	50.8	67.0
Payment for lease liabilities (including interest)	(575.7)	(801.3)
Termination and remeasurement	(103.6)	(180.7)
As at 31 August	2,000.7	2,116.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Lease (Continued)

(b) Lease liabilities (Continued)

Maturity analysis of lease liabilities is as follows:

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
Not later than 1 year	759.1	890.0
Later than 1 year and not later than 5 years	1,218.5	1,070.3
Later than 5 years	23.1	27.8
	2,000.7	1,988.1

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

As at 31 August 2024 and 29 February 2024, the total future lease payments for short-term leases amounted to RMB301.5 million and RMB390.0 million respectively. As at 31 August 2024 and 29 February 2024, leases committed but not yet commenced are insignificant.

15 Deposits, prepayments and other receivables

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
Non-current		
Rental deposits	221.1	209.6
Prepayments for capital expenditures	2.3	5.3
	223.4	214.9
Current		
Rental deposits	262.9	269.9
Value-added tax recoverable	73.3	191.5
Prepayments for purchase	238.8	146.9
Other receivables and prepayments	289.3	255.3
	864.3	863.6

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Inventories

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
Merchandise for sale	6,381.9	6,455.2
Less: provision for impairment losses	(262.0)	(171.4)
	6,119.9	6,283.8

The cost of inventories amounting to RMB7,601.7 million (six months ended 31 August 2023: RMB7,824.2 million) and the changes in provision for impairment of inventories amounting to RMB90.6 million (six months ended 31 August 2023: RMB11.5 million) were included in cost of sales during the period ended 31 August 2024.

17 Trade receivables

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
Trade receivables	956.3	1,334.7
Loss allowance	(6.9)	(5.1)
	949.4	1,329.6

The Group's concessionaire sales through department stores and sales through e-commerce platforms are generally collectible within 30 days and 15 days from the invoice date respectively. As at 31 August 2024, the aging analysis of trade receivables, based on invoice date, is as follows:

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
0 to 30 days	931.6	1,300.9
31 to 60 days	9.8	22.2
61 to 90 days	5.0	2.5
Over 90 days	9.9	9.1
	956.3	1,334.7
Loss allowance	(6.9)	(5.1)
	949.4	1,329.6

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 Trade receivables (Continued)

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

	Six months ended 31 August	
	2024	2023
	RMB million	RMB million
As at 1 March	5.1	6.3
Provision for/(reversal of) impairment of trade receivables	1.8	(1.5)
As at 31 August	6.9	4.8

18 Bank deposits, cash and cash equivalents

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
Short-term pledged bank deposits (note (a))	150.0	126.1
Cash and cash equivalents:		
Bank balances and cash	2,839.6	1,956.0
Total bank deposits, cash and cash equivalents	2,989.6	2,082.1
Denominated in the following currencies:		
RMB	2,744.3	765.6
HK\$	245.3	1,316.5
	2,989.6	2,082.1

Notes:

- (a) As at 31 August 2024, bank deposits of RMB150.0 million (29 February 2024: RMB126.1 million) were pledged to bank against short-term borrowings of RMB450.0 million (29 February 2024: RMB420.1 million) (Note 20). The short-term pledged bank deposits were denominated in RMB and carried interest at weighted average interest rate of 1.9% (29 February 2024: 2.0%) per annum. The carrying amounts of these deposits approximate their fair values.
- (b) 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 Trade payables

The credit periods granted by suppliers generally range from 0 to 60 days. As at 31 August 2024, the aging analysis of trade payables, based on invoice date, is as follows:

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
0 to 30 days	846.4	386.8
31 to 60 days	0.1	0.2
Over 60 days	0.3	0.1
	846.8	387.1

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

20 Short-term borrowings

	As at 31 August 2024 RMB million	As at 29 February 2024 RMB million
Unsecured bank borrowings (note (a))	500.0	300.0
Secured bank borrowings (note (b))	450.0	420.1
	950.0	720.1

Note:

- (a) As at 31 August 2024, the Group's unsecured bank borrowings carried interest at fixed rates with weighted average interest rate of 2.1% (29 February 2024: 2.8%) per annum. The carrying amounts of the Group's short-term borrowings are denominated in RMB which approximate their fair values.
- (b) As at 31 August 2024, borrowings of RMB450.0 million (29 February 2024: RMB420.1 million) were secured by the short-term pledged bank deposits of RMB150.0 million (29 February 2024: RMB126.1 million) as detailed in Note 18. The carrying amount is denominated in RMB which approximates its fair value. The borrowings carried interest at fixed rates with weighted average interest rate of 1.8% (29 February 2024: 1.3%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Share capital

	Number of ordinary shares	Nominal value of ordinary shares
Authorized:		
As at 1 March 2023, 29 February 2024, 1 March 2024 and 31 August 2024	<u>20,000,000,000</u>	<u>HK\$20,000</u>
Issued and fully paid:		
As at 1 March 2023, 29 February 2024, 1 March 2024 and 31 August 2024	<u>6,201,222,024</u>	<u>HK\$6,201</u>

22 Other reserves

	Share premium RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserve RMB million	Total RMB million
At 1 March 2023	19,326.1	(18,437.6)	72.9	780.3	1,741.7
Exchange difference	–	–	38.0	–	38.0
Appropriation to statutory reserves	–	–	–	2.7	2.7
At 31 August 2023	<u>19,326.1</u>	<u>(18,437.6)</u>	<u>110.9</u>	<u>783.0</u>	<u>1,782.4</u>
At 1 March 2024	19,326.1	(18,437.6)	107.7	808.7	1,804.9
Exchange difference	–	–	22.4	–	22.4
Appropriation to statutory reserves	–	–	–	11.7	11.7
At 31 August 2024	<u>19,326.1</u>	<u>(18,437.6)</u>	<u>130.1</u>	<u>820.4</u>	<u>1,839.0</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 Related party transactions

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions in addition to the related party information shown elsewhere in this condensed consolidated interim financial information:

Transactions for the period

	Six months ended 31 August	
	2024	2023
	RMB million	RMB million
Transactions with companies controlled by Belle International Holdings Limited ("Belle International") (note (a))		
– Service income received	0.1	8.1
– Logistics services fees paid	217.3	172.8
– Payments in relation of lease agreements (note (b))	12.6	11.8
Key management compensation		
– Salaries, bonuses and other welfare (note (c))	5.0	4.6

Notes:

- (a) Belle International is regarded as a related party of the Group by the Company's directors as it is an associate of the Company's substantial shareholders, Hillhouse HBBH Holdings Limited and Wisdom Man Ventures Limited. The executive director of the Company, Mr. Yu Wu, and Non-executive directors of the Company, Mr. Sheng Fang, are also the directors of the related company.

Transactions with related companies are carried out based on terms mutually agreed between the relevant parties.

- (b) During the six months ended 31 August 2024, the Group entered into certain long-term leases of office premises with Belle International. Right-of-use assets and lease liabilities were recognised during the six months ended 31 August 2024 in relation to these long-term leases.
- (c) Key management includes directors and certain executives who have important roles in making operational and financial decisions.

24 Subsequent events

There were no material subsequent events during the period from 1 September 2024 to the approval date of this interim financial information.

GENERAL INFORMATION

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

As at 31 August 2024, none of 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 C3 to the Listing Rules.

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

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

As at 31 August 2024, 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:

GENERAL INFORMATION

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

Name of shareholder	Capacity/Nature of interest	Number of shares	Approximate percentage of interests in our Company ⁽¹⁾
HHBH Investment, L.P. ⁽²⁾	Interest in controlled corporation	2,163,605,107	34.89%
Hillhouse Capital Management, Ltd. ⁽²⁾	Interest in controlled corporation	2,163,605,107	34.89%
Hillhouse HHBH Holdings Limited ("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%
TMF (Cayman) Ltd. ("TMF") ⁽³⁾	Trustee	562,659,227	9.07%

Notes:

- (1) As at 31 August 2024, the total number of issued shares of the Company was 6,201,222,024.
- (2) According to the corporate substantial shareholder notice last filed by Hillhouse HHBH and its affiliates, Hillhouse HHBH is wholly-owned by Hillhouse HHBH Limited, which is wholly-owned by HHBH Investment, L.P. and the investment manager of HHBH Investment, L.P. is Hillhouse Capital Management, Ltd.
- (3) According to the corporate substantial shareholder notice last filed by TMF, TMF 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, the Keen Source Trust and the Sola Fortune Trust and TMF was deemed to be interested in an aggregate of 562,659,227 shares in its capacity as the trustee of these trusts.

Save as disclosed herein, as at 31 August 2024, the Directors are not aware of any other persons (not being a Director or chief executive of the Company) who had or was deemed to have any interests or short positions in the shares or underlying shares which was required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CHANGE IN DIRECTORS' INFORMATION

Changes in directors' information since the date of the 2023/24 annual report of the Company and up to the date of this report, which is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of the Hong Kong Limited (the "Listing Rules") is set out below.

Mr. HUANG Victor, an independent non-executive director of the Company, retired as an independent non-executive director of Qingdao Haier Biomedical Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 688139), with effect from 19 July 2024.

Save as disclosed above, no change in the biographical details of the Directors is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

GENERAL INFORMATION

CORPORATE GOVERNANCE

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

During the six months ended 31 August 2024, the Company has complied with all applicable code provisions as set out in the CG Code, save for code provision C.2.1 of the CG Code.

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

The Board will periodically review and enhance its corporate governance practices to ensure that the Company continues to meet the requirements of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its code of conduct for Directors' securities transactions. After having made specific enquiries, each Director has confirmed that he/she has complied with the requirements of the Model Code for the period from 1 March 2024 to 31 August 2024.

CONTINUING DISCLOSURE REQUIREMENTS PURSUANT TO THE LISTING RULES

Our Directors have confirmed that, as of 31 August 2024, the continuing disclosure requirements of the Listing Rules were complied with.

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.

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters, including a review of the interim financial information for the six months ended 31 August 2024.

GENERAL INFORMATION

REMUNERATION COMMITTEE

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

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

- making recommendations to the Board on the remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such policies;
- making recommendations to the Board on the terms of specific remuneration 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.

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.

SUFFICIENCY OF PUBLIC FLOAT

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