

# 加油中国

INTERIM REPORT 2008

FUEL UP CHINA



**ANTA Sports Products Limited**  
**安踏體育用品有限公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2020

# HIGHLIGHTS OF THE FIRST HALF 2008



## JUNE 08

ANTA's sports gears for the 3 major sponsored leagues (basketball, table-tennis and volleyball) were showcased in the 22nd China International Sportswear Products Exhibition.

## APR 08

Trade Fair of 4Q2008 has showcased the latest trendy sneakers series and the Houston Rockets endorsed players designated sportswear series.

## MAY 08

Number of ANTA authorised retail outlets reached the milestone of 5,000, which was opened in Hefei on 15 May 2008; and

"CBA ANTA Sports Training Camp" was jointly held by ANTA, CBA and the Houston Rockets of USA. 10 potential CBA players were trained by basketball coaches led by Rick Adelman; and

## FEB 08

ANTA's endorsed player, Luis Scola, was selected as a roster for Rookie Challenge. He wore the designated ANTA basketball shoes in the game and this was the first appearance of ANTA's gear in All-Stars game.

The international branded sportswear retail business was disposed and the Group will focus on self-owned brand management and enhance R&D capability while targeting brand management of international sportswear brands.

## MAR 08

From 2001 to 2007, ANTA sports footwear has been led in "composite index on market share of sports footwear for seven consecutive years in China", rated by the China General Chamber of Commerce and the China National Commercial Information Centre.

## JAN 08


ANTA Kids Division was set up on 1 January 2008.




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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ding Shizhong (丁世忠) (Chairman)  
Ding Shijia (丁世家)  
Lai Shixian (賴世賢)  
Wang Wenmo (王文默)  
Wu Yonghua (吳永華)

### Independent Non-Executive Directors

Yeung Chi Tat (楊志達)  
Wong Ying Kuen, Paul (王應權)  
Lu Hong Te (呂鴻德)

## BOARD COMMITTEES

### Audit committee

Yeung Chi Tat (楊志達) (Chairman)  
Wong Ying Kuen, Paul (王應權)  
Lu Hong Te (呂鴻德)

### Remuneration committee

Ding Shizhong (丁世忠) (Chairman)  
Lu Hong Te (呂鴻德)  
Wong Ying Kuen, Paul (王應權)

### Nomination committee

Lu Hong Te (呂鴻德) (Chairman)  
Yeung Chi Tat (楊志達)  
Lai Shixian (賴世賢)

## COMPANY SECRETARY

Ling Shing Ping (凌昇平) FCPA FCCA

## QUALIFIED ACCOUNTANT

Ling Shing Ping (凌昇平) FCPA FCCA

## AUTHORISED REPRESENTATIVES

Lai Shixian (賴世賢)  
Ling Shing Ping (凌昇平)

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE IN THE PRC

Dongshan Industrial Zone  
Chidian Town, Jinjiang City  
Fujian Province, China  
Postal code: 362212

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit No. 4408  
44th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

## LEGAL ADVISERS

Coudert Brothers in association with  
Orrick, Herrington & Sutcliffe LLP

## AUDITORS

KPMG, *Certified Public Accountants*

## COMPLIANCE ADVISER

Piper Jaffray Asia Ltd.

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited  
Butterfield House  
68 Fort Street  
P.O. Box 705  
Grand Cayman KY1-1107  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Agricultural Bank of China (Quanzhou  
Operation Department)  
Industrial and Commercial Bank of China  
(Jinjiang Sub-branch)  
Bank of China (Hong Kong) Limited  
China Construction Bank Hong Kong Branch  
UBS AG



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SWEAT WILL AWAKEN  
OUR COURAGE





# RESULTS HIGHLIGHTS

In terms of financial performance	In terms of operational performance
<ul style="list-style-type: none"><li>➤ <b>Turnover</b> breakthrough <b>RMB2.2 billion</b>, representing an increase of more than 50.0%</li><li>➤ <b>Gross profit margin</b> increased by <b>5.1%</b> to 38.9%</li><li>➤ <b>EBIT</b> increased by <b>77.3%</b> to RMB418.6 million</li><li>➤ <b>Net profit margin</b> increased by <b>5.7%</b> to 19.7%</li><li>➤ <b>Profit attributable to shareholders</b> increased <b>more than two-fold</b> to <b>RMB434.3 million</b></li><li>➤ <b>Basic earnings per share</b> has an increase of 54.5% to RMB17.44 cents</li><li>➤ <b>Dividend of HK10 cents</b> per share is proposed, representing a total payout of RMB218.7 million and <b>50.4%</b> distribution of the 2008 interim profit</li></ul>	<ul style="list-style-type: none"><li>➤ <b>Number of ANTA authorised retail outlets</b> reached <b>5,193</b>, a net increase of 955 stores for the past 12 months</li><li>➤ <b>Total sales floor area of stores</b> increased by <b>41.6%</b>, to 500,829 sq.m., for the past 12 months</li><li>➤ <b>Average sales floor area per store</b> increased from 83.4 sq.m. to <b>96.4 sq.m.</b>, within one year</li><li>➤ <b>ASP growth (at wholesale price):</b> increased by <b>7.2%</b> to RMB92.1 for <b>footwear</b>/increased by <b>5.5%</b> to RMB43.8 for <b>apparel</b></li><li>➤ <b>Volume growth:</b> increased by <b>46.3%</b> to 13.0 million pairs for <b>footwear</b>/increased by <b>37.5%</b> to 21.1 million pieces for <b>apparel</b></li></ul>

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Interim Report 2008 contains certain forward-looking statements with respect to the financial condition, results of operations and business of ANTA Sports Products Limited (“ANTA Sports”). These forward-looking statements represent ANTA Sports’ expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like “potential”, “estimated”, “expects”, “anticipates”, “objective”, “intends”, “plans”, “believes”, “estimates”, and similar expressions or variations on such expressions may be considered “forward-looking statements”.

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only as of the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect ANTA Sports’ results of operations are described in the sections of “Business Review” and “Financial Review”.





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GRIT WILL POWER  
OUR SPIRIT

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of ANTA Sports Products Limited ("ANTA Sports" or the "Company"), I am pleased to report the results of the Company and its subsidiaries ("ANTA" or the "Group") for the six months ended 30 June 2008.

## RESULTS SUMMARY

As of 10 July 2008, the Group celebrated the first anniversary of our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited. Since the listing, the Group has achieved excellence in different aspects and built a concrete foundation for our future development.

Following the success in 2007, the Group seized the opportunities and achieved a strong growth in the first half of 2008. During the reporting period, the Group's turnover reached RMB2,205.2 million (2007: RMB1,447.7 million), representing an increase of 52.3% compared to the corresponding period last year. Profit attributable to shareholders increased more than two-fold to RMB434.3 million (2007: RMB203.3 million), compared to the same period in 2007. Basic earnings per share for the period were RMB17.44 cents (2007: RMB11.29 cents). Considering the success of the Group, the Board proposed to declare an interim dividend of HK10 cents per share.

## ACHIEVEMENTS

During the reporting period, the Group has strengthened our brand management and product innovation. The Group has further built up the strategic alliance with the Houston Rockets and upgraded the "A-Core" and "A-Cozel" technology, offering our athletes and consumers a mix of stylish and performance-based sportswear products. Our endorsed player, Luis Scola, wore ANTA basketball shoes in the All-Star Rookie Challenge and the Olympic Games and this signified the professionalism and international recognition of ANTA brand.

Meanwhile, the Group places great emphasis on integrating promotional strategies through sports leagues' sponsorships, featured products and endorsed athletes. Through the sponsorships of basketball, table tennis and volleyball leagues and athletes in China, the Group has strengthened our recognition from the consumers on our product performance. The Group has also launched the "Fuel Up China" campaign during the reporting period, promoting public support for the Chinese national teams.





## CHAIRMAN'S STATEMENT *(Continued)*

The Group has an effective distribution channel and strong penetration capability. The 5,000<sup>th</sup> ANTA store was opened in May 2008 in Anhui, Hefei, making a significant milestone for ANTA Sports in retail network management. The 8 flagship stores in Shenyang, Wuhan, Shanghai (2 stores), Beijing, Changsha, Chongqing and Xiamen are all located in the key markets of China. The effective distribution channels ensure the timely launching of new products and enhance our brand image and competitiveness.

As a result of the above achievements, the Group has continuously increased our market share and has led in "composite index on market share of sports footwear" in China rated by the China General Chamber of Commerce and the China National Commercial Information Centre for seven consecutive years.

### RETURNS TO SOCIETY

In addition to our business success, the Group has also been contributing to the society. The Group immediately responded to the earthquake in Sichuan in May 2008 by making donations and encouraged our distributors, franchisees, suppliers and employees to participate in such donation.

### INDUSTRY OUTLOOK

Looking forward, China's economy is expected to grow rapidly with increase in urbanisation and purchasing power of the general public. Demand for sportswear products will increase as a result of the growing sports participation rate and awareness and interest in sports after the Olympic Games. At present, the individual expenditure on sportswear product in China is much lower than that in well-developed countries.



**"BEING ONE OF THE OLYMPIC TORCH RELAY RUNNERS IS AN HONORABLE MISSION. OUR BRAND IDEOLOGY, "KEEP MOVING", RESEMBLES PASSING THE OLYMPIC TORCH, WHICH SIGNIFIES THE SPREAD OF THE OLYMPIC SPIRIT. AS ONE OF THE LEADERS IN THE CHINA SPORTSWEAR MARKET, WE TAKE INITIATIVES TO PROMOTE THE CONCEPT OF "PEOPLE ATHLETICISM" AND WISH A BRILLIANT PERFORMANCE OF OUR NATIONAL TEAMS IN THE BEIJING OLYMPICS."**



## CHAIRMAN'S STATEMENT *(Continued)*

As Beijing hosts the Olympic Games, the market competition is fierce with the emergence of a large number of local sportswear brands. The Group expects the China sportswear market to migrate to a stage of consolidation. Consumers will select professional sportswear products with high quality, reasonable price and excellent performance. Well-developed brands create consumer loyalty.

### FUTURE STRATEGY

In order to meet the market demand, the Group continues to strengthen our competitiveness by diversifying the product series. The Group will introduce trendy sneakers series and ANTA kids sportswear series to the mass market. Moreover, the Group constantly searches for sponsorship resources, enhancement of professionalism, internationalisation and desirability of ANTA brand. In order to become more competitive and create a greater value for both the Group and the shareholders, the Group is planning to strengthen our key management team and our research and development capability.



Chairman

**Ding Shizhong**

Hong Kong, 25 August 2008



**"AS A NATIONAL PEOPLE'S CONGRESS DEPUTY, I WOULD DEFINITELY SHARE MY EXPERIENCE IN THE CHINA BRAND DEVELOPMENT. ONLY WITH THE NON-STOP INNOVATION AND TECHNOLOGY, A BRAND CAN ENHANCE ITS COMPETITIVENESS AND MARCH TOWARDS THE INTERNATIONAL MARKET. TO IMPROVE THE PROFESSIONAL BRAND IMAGE OF CHINA'S PRODUCTS, I THINK THE GOVERNMENT SHOULD SUPPORT THE INNOVATIONS OF THE BRAND AND PROMOTE LOCAL BRANDS."**



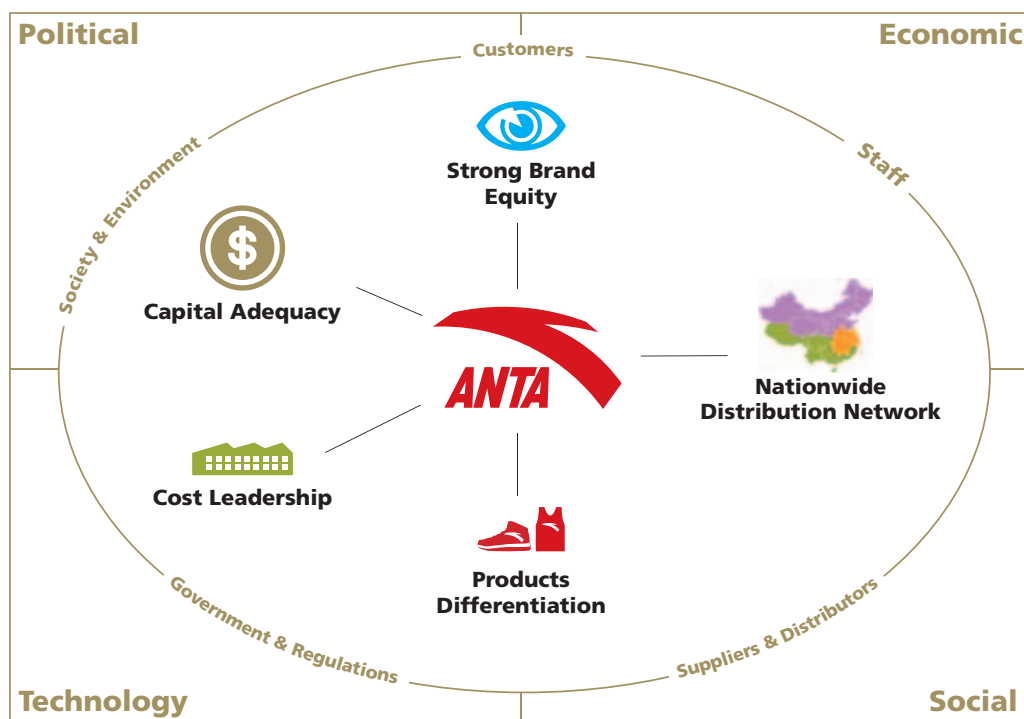
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CONFIDENCE WILL  
DELIGHT OUR  
SENTIMENT



# MANAGEMENT DISCUSSION AND ANALYSIS



## EXTERNAL ENVIRONMENT

Political	Economic
<ul style="list-style-type: none"> <li>&gt; Government's concern of citizens' health</li> <li>&gt; Promotion of sports in schools</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Per capita disposable income growth</li> <li>&gt; Urbanisation</li> </ul>
Technology	Social
<ul style="list-style-type: none"> <li>&gt; Products' functionality</li> <li>&gt; Performance-based products</li> <li>&gt; Stylish and trendy products</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Sports participation rate</li> <li>&gt; Consumers' taste and preference</li> <li>&gt; Expenditure on sportswear products</li> </ul>

## COMPETITIVE ADVANTAGES

Strong Brand Equity	Nationwide Distribution Network
<ul style="list-style-type: none"> <li>&gt; Diversified sponsorship resources</li> <li>&gt; Brand internationalisation</li> <li>&gt; Nationwide brand awareness</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Quick response to the market demand</li> <li>&gt; Wide spread of our network</li> <li>&gt; Effective management of distributors</li> </ul>
Products Differentiation	Cost Leadership
<ul style="list-style-type: none"> <li>&gt; A complete range of product mix and lines</li> <li>&gt; Qualify for setting national quality standards</li> <li>&gt; Strong alliance with designers and R&amp;D institutes</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Enjoy economies of scale</li> <li>&gt; Efficient supply chain management</li> <li>&gt; Offer value-for-money products</li> </ul>
Capital Adequacy	Corporate Social Responsibility
<ul style="list-style-type: none"> <li>&gt; Finance future business development</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Corporate citizenship and public relations</li> </ul>





### MARKET REVIEW

Although China came across serious natural disasters early this year, its economy still keeps a fast and steady pace contributable to the stabilising macro-economic controls.

#### Rising Purchasing Power with Economic Growth

According to the following data, the China economy continues its steady growth rate. With the increase in per capita GDP, consumers' purchasing power also increases.

	Item	Data	Percentage change (year-on-year)
Macro-Economic	GDP	RMB13.06 trillion	↑ 10.4%
Per Capita GDP	Disposable income per capita of urban households	RMB8,065	↑ 14.4% (after inflationary adjustment 6.3%)
Retail Market	National retail sales of consumer goods	RMB5.10 trillion	↑ 21.4%
	Retail sales in urban areas	RMB3.48 trillion	↑ 22.1%
	Clothing sector (including sports footwear and apparel)		↑ 25.6%

Source: National Bureau of Statistics of China (As at 30 June 2008)

#### Urbanisation and Retail Market Development

Urbanisation is still at a developing stage in China with 44.9% urban population in 2007 which was far below that in developed countries. Further increase in urbanisation will improve the trade and commerce of urban cities and the development of the consumer markets.

#### Promotion through Sporting Events and Enhanced Living Standard Drives Higher Demand for Sportswear

China sportswear market has great potential for further expansion.

##### 1. Functional Sportswear Market

After the Olympic Games 2008, the East Asian Games 2009, the Asian Games 2010 and the University Games 2011 will be consecutively held in China. These events will further promote the sports culture, the participation rate in sports and the demand for sportswear products. Also, the individual expenditure on recreational activities and sportswear products in China is far below that in well-developed countries.



China's economy keeps a sustainable growth





### 2. Children Sportswear Market

As the economic well-being is further improved, consumers in China will place more concern on their health. For further economic development, the Government is also paying close attention to the health of its citizen so as to reduce its medical spending. Therefore, under the direction of the PRC Government, schools are encouraging students to participate more in sports activities. On the other hand, China's one-child policy has created an environment that child's health is a priority to parents in China who will look for protective and fitness sportswear products. In addition, children's foot size changes at a relatively higher rate than adult and accordingly the replacement rate of children's footwear would be significantly higher. This market demands value-for-money sportswear products that offer performance, functional protection and stylish-design for the children.

### 3. Trendy Sportswear market

The improved living standard and consumption pattern of the Chinese consumers drives a higher demand for live-style, trendy and leisure sportswear products. Consumers demand fashionable and stylish sportswear that best reflects their personal characters.

## Market Strategy and Integration

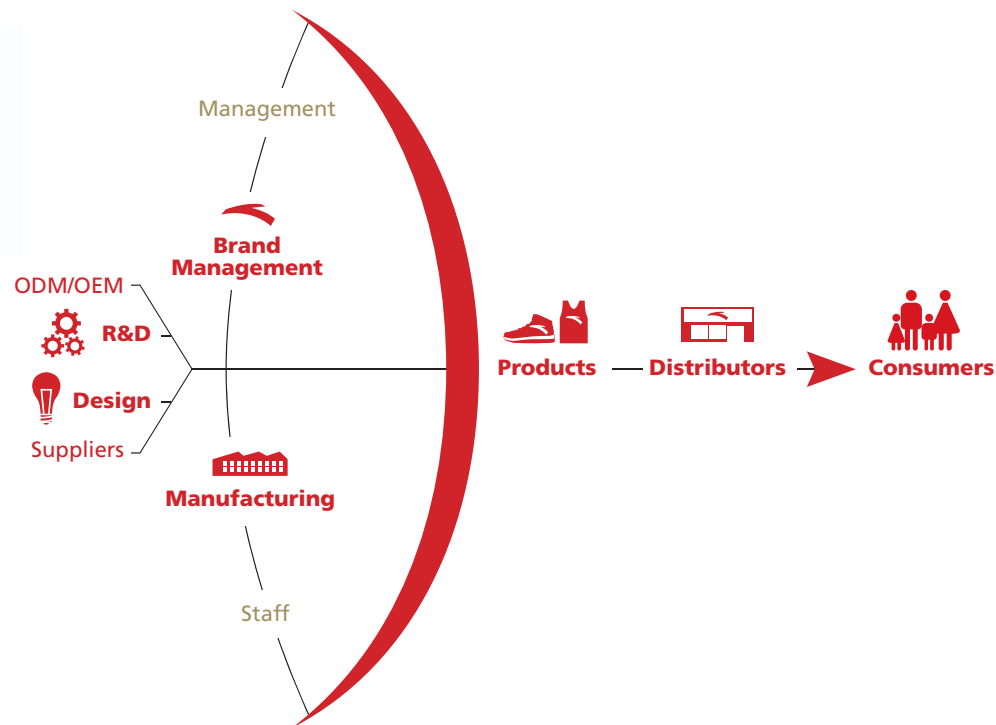
Many local sportswear brands try to capture the potential in sportswear market and the Olympic effect and as a result, a number of smaller players with insignificant market shares have emerged and fragmented the market. However, this is temporarily and the number of sportswear brands will decrease when the market becomes more developed and mature. As a result of the rationalisation of consumption pattern, the Group expects more market consolidation will take place in China with dominant players taking major market shares in the future.



## BUSINESS REVIEW

### Vertically Integrated Business Model

The Group has innovative research and design capabilities, extensive experience in brand management and distribution management, and self-production capabilities that enables us to control the key stages of the operation from products design, development, manufacturing, brand management to sales and marketing of the ANTA products by our distributors.



### Strong Brand Equity

ANTA has leading brand desirability and recognition in China. The Group places great emphasis on branding by integrating the resources from sports leagues' sponsorships, placement of advertisements, interaction with consumers through internet and endorsement of elite athletes with the featured products to enhance product differentiation. During the reporting period, the Group has incurred expenditure on brand management and marketing, representing 14.0% of the sales (including reimbursement on renovation costs and grant of display equipment, see the section titled "Nationwide Distribution Network" for details), compared to 12.6% in the same period in 2007.





### 1. Multi-dimensional Advertising Exposure

The Group introduced six TV commercials to promote the brand ideology and the featured products, with highlights of the products differentiation through different channels of media (posters in the stores, product displays, outdoor billboards, and the brand website).

- Olympic Promotional Campaigns

Following the promotional campaigns "Together 08!" and "Let's support what we believe!" in previous year, the Group has launched "Fuel Up China!" in 2008, encouraging public to express their sincere blessings to the athletes of Chinese national teams. These TV commercials have broadcasted in 15 influential nationwide TV channels in China, including CCTV ("China Central Television") and Hunan TV, echoing with outdoor advertisements, sales promotion and other media propagation. Also, the Group initiated a website with "Fuel Up China!" (<http://www.anta.com/gochina/index.html>) for interaction with consumers and spreading Olympic spirit. It enables consumers to gain access to the latest news on Olympic and Chinese national teams. Meanwhile, the Group has also introduced the Olympic-themed products to the market.

- Promotional Campaign for Endorsed Players

The "Scola's basketball shoes series" and its integrated marketing campaign have been launched in May 2008. It strengthens the Group's professional image in basketball shoes series and international recognition when Scola wore these shoes in the world's top-tier sporting events.

### 2. International Strategic Partnership

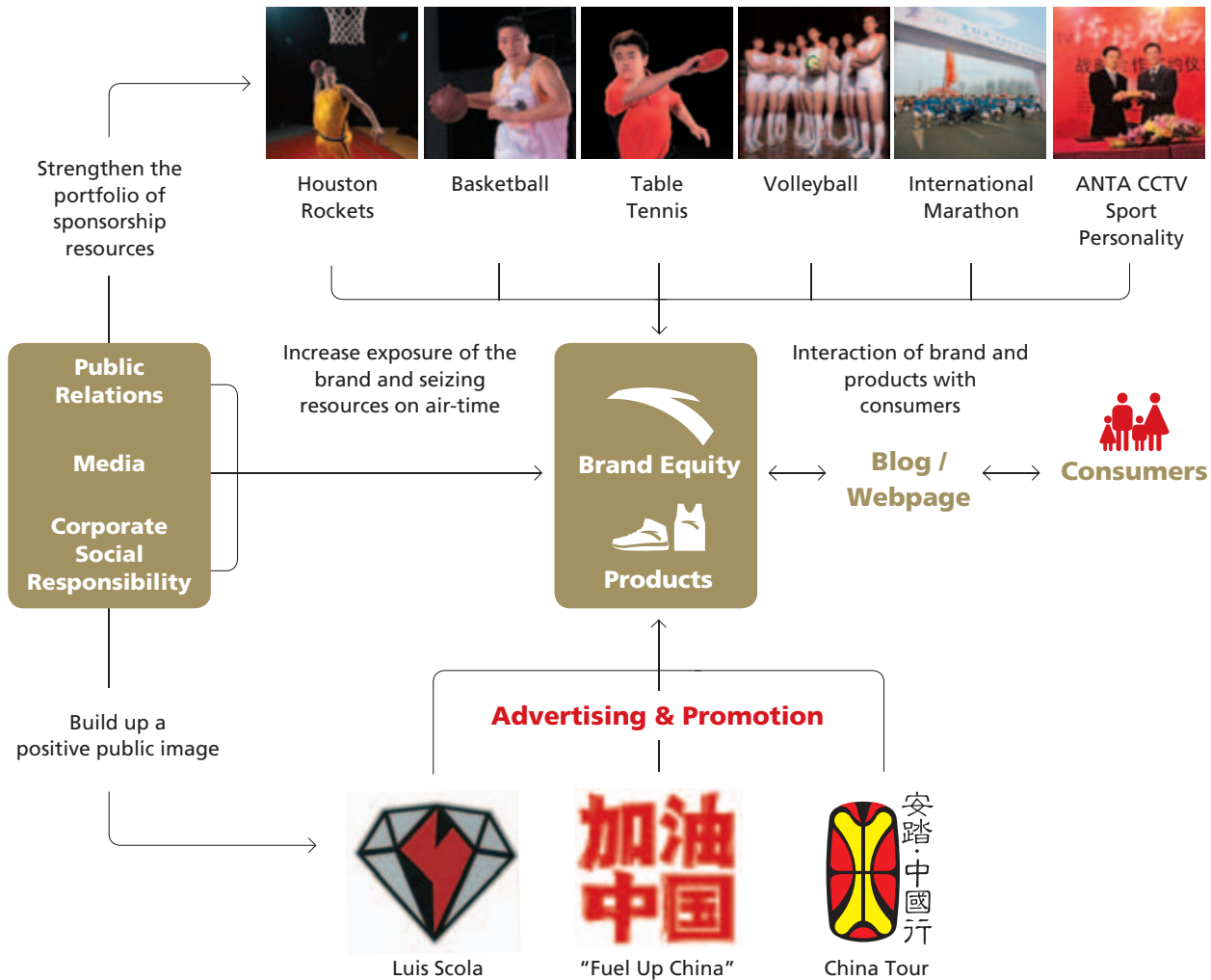
- Endorsed Players

The Group collaborates with Bill Peterson, the renowned sportswear designer, to introduce designated basketball shoes series for Luis Scola and Steve Francis. The two endorsed players of the Rockets have been wearing ANTA products in competitions and trainings, which evidenced the technological value in ANTA products meeting the standard and expectation of top-class competition in the world. Luis Scola wore ANTA basketball shoes in the All-Star Rookie Challenge and during the Olympic Games, which signified the professionalism and international recognition of ANTA brand and our products.



## STRATEGIC BRAND MANAGEMENT

### Sponsorship Resources





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)



The youth potential CBA players were tutored by Rick Adelman



The Guangdong team celebrated for capturing the CBA Championship

### • Strategic Alliance

The Group co-organised the “CBA Star Training Camp” with the Houston Rockets in May 2008. Ten youth potential Chinese Basketball Association (“CBA”) players flew to Houston in the United States to receive a special training from a team of basketball coaches led by Rick Adelman, the head coach of the Rockets. Rick Adelman has led the Rockets in achieving a record of 22 consecutive wins, the second-longest winning streak in league history. The youth players had an opportunity to receive professional training, advanced basketball skills and sports knowledge from the world-class coaching team. It also helped broadening their horizons, exploring their potentials and boosting their confidence. Moreover, ANTA's signage had been set up in the home court of the Rockets which will increase the international exposure of our brand.

### 3. Integrating Sponsorship Resources in China

#### • Sponsorships of Professional Sports Leagues

In view of the continuous support to the development of sports leagues in China, ANTA Sports is praised as “the engine for the professional sports leagues in China” by the media. The Group is the equipment and gear sponsors for all 16 teams in CBA and our logo has been widely placed in the indoor signage of these teams’ home courts. The Group is also the sole equipment and gear sponsor for the “China Table Tennis Super League”, title sponsor for the “ANTA National Volleyball League”, the “ANTA National Volleyball Grand Prize Cup” and the “ANTA National Volleyball Championship Cup”. The sports channel of CCTV provides continuous live and rebroadcast of those competitions nationwide, which increases our exposure and brand awareness of our products. Moreover, the Group has tailor-made equipment and gear for all players that highlight the professional standard of ANTA products.





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- Sponsorships of International Marathon

The Group is the sole equipment and gear sponsor for the Dalian International Marathon of All Nippon Airways Cup (“Dalian International Marathon”) for two consecutive years. In this year, Dalian International Marathon achieved a record number of runners, with 8,692 participants coming from 37 countries and 29 provinces in China. The Group has integrated this event sponsorship with our “Hydrogen running shoes” that are being launched to the market.

- Co-operative Agreements

The Group has formally entered into co-operative agreements with the Bicycle and Fencing Administrative Center under China’s General Administration of Sports and officially entered into collaboration agreements with its associated organisations, including the Fencing Association of China, the Bicycle Association of China, the Triathlon Association of China, the China Modern Five Games Association and the Equestrianism Association of China, thereby becoming their designated and sole equipment sponsor. At the same time, the Group has also sponsored a number of potential national athletes including Wang Hao, a core member in the national table tennis team of China, and Tang Zhengdong, an elite CBA player.

#### 4. Interaction with the Consumers

To enhance communication between our customers and our endorsed players, the Group has set up ‘blogs’ for Luis Scola and Steve Francis, which feature diaries of the endorsed players and consumers can leave messages and show support on these ‘blogs’. To encourage the interaction of the consumers and the promotional campaigns, the Group also launched “You can design Scola’s shoes” activities. Consumers can also express their support and suggestions in “CBA Star Training Camp Message Board”. The Group also organised fans reunion with athletes as to enhance public’s interest on national sports leagues.



The impressive outdoor advertisement showed up next to the running track



The 5000<sup>th</sup> ANTA store in Hefei

## Nationwide Distribution Network

### 1. ANTA Brand in China's market

The Group continues to reinforce the leading presence in the second and third tier cities whilst expanding the retail network in China. The Group dedicates on optimising authorised ANTA retail outlets and encourages the distributors to open larger stores in prime locations. The 5,000<sup>th</sup> ANTA store was opened in May 2008 in Anhui, Hefei, which was a new milestone of our retail network expansion. The effective distribution channels enable the Group to ensure the timely launching of new products into the market.

- Extensive Retail Network

During the reporting period, 664 new retail outlets were set up, 269 retail outlets were refurbished and 187 retail outlets with smaller size were consolidated, making up a net increase of 477 retail outlets. The Group endeavors to expand the shopping/display area of retail stores. The total sales floor area has increased from 433,843 sq.m. at the end of 2007 to 500,829 sq.m. at the end of the reporting period. The average sales floor area has increased from 92.0 sq.m. at the end of 2007 to 96.4 sq.m. at the end of the reporting period.

At 30 June 2008, the Group manages 46 distributors (31 December 2007: 39) and 5,193 ANTA authorised retail stores (31 December 2007: 4,716). The number of stores owned by the distributors increased from 1,424 (or 30% to the total outlets) at the end of 2007 to 1,642 (or 32% to the total outlets) at the end of the reporting period.

The following table sets out the development of distribution channel for ANTA's brand by geographical location:

	31 December 2007 (no. of stores)	Expanded (no. of stores)	Consolidated (no. of stores)	30 June 2008 (no. of stores)	Refurbished (no. of stores)
Eastern region	1,968	284	(69)	<b>2,183</b>	92
Southern region	1,489	178	(55)	<b>1,612</b>	102
Northern region	1,259	202	(63)	<b>1,398</b>	75
	4,716	664	(187)	<b>5,193</b>	269

Notes:

- (1) Eastern region includes Hunan, Hubei, Henan, Anhui, Jiangxi, Zhejiang, Jiangsu and Shanghai.
- (2) Southern region includes Guangdong, Guangxi, Fujian, Hainan, Guizhou, Yunnan, Sichuan, Chongqing and Tibet.
- (3) Northern region includes Beijing, Hebei, Inner Mongolia, Shanxi, Shandong, Gansu, Ningxia, Qinghai, Tianjin, Xinjiang, Shaanxi, Liaoning, Heilongjiang and Jilin.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Nationwide Distribution and Retail Network as at 30 June 2008



LOCATION - NORTH

ANTA Brand/  
Retail outlet



LOCATION - EAST

ANTA Brand/  
Retail outlet



LOCATION - SOUTH

ANTA Brand/  
Retail outlet

LIAONING	224
HEBEI	215
SHANGDONG	206
BEIJING	137
HEILONGJIANG	128
JILIN	124
SHAANXI	109
SHANXI	92
TIANJIN	62
INNER MONGOLIA	47
GANSU	25
XINJIANG	20
NINGXIA	6
QINGHAI	3

JIANGSU	542
ZHEJIANG	491
HUBEI	247
HUNAN	233
ANHUI	198
HENAN	178
SHANGHAI	172
JIANGXI	122

GUANGDONG	619
SICHUAN	275
FUJIAN	243
GUANGXI	178
CHONGQING	107
YUNNAN	98
GUIZHOU	52
HAINAN	38
TIBET	2



#### Locations of Flagship Store:

Zhongjie Road, Shenhe District, Shenyang  
 Wangfu Lisheng Shopping Mall South, Dongcheng District, Beijing  
 Nanjing Road East, Huangpu District, Shanghai  
 Nanjing Road, Huangpu District, Shanghai  
 Zhongshan Road, Siming District, Xiamen  
 Xinbei Road, Shapingba District, Chongqing  
 Jiangwu Road, Hankou District, Wuhan  
 Huangxing Road South, Passageway, Changsha



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

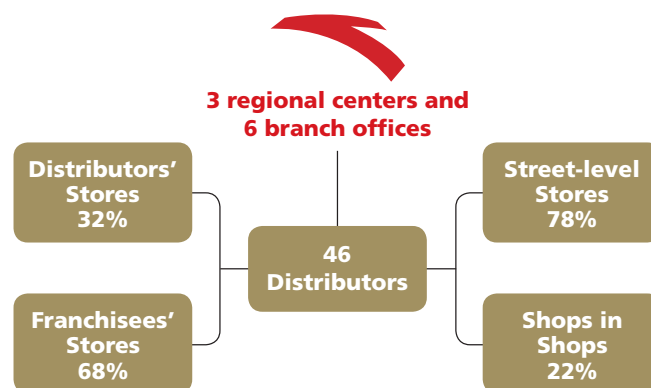


The fifth generation store image

- Improvement of Store Image

In order to further improve the brand awareness and the store image, the Group's distributors have opened flagship stores in key markets and area with high population density. Good image of flagship stores enhances customers shopping experience, which can drive the sales performances for other retail stores. During the reporting period, eight flagship stores were opened in the key cities in China (see the graph titled "Nationwide Distribution Network" on page 19). The Group organised "Display Management Competition" to encourage distributors and retailers to improve their knowledge in store display spontaneously. In addition, the Group has endeavored to promote the fifth generation stores to enhance the brand image. As of 30 June 2008, 1,881 stores have been renovated with fifth generation stores image.

- Effective Management of Distributors and Franchisees



**2,100 outlets POS linked up with our ERP systems**

The Group strengthens our management of distributors and retail stores by setting up three regional centers and six branch offices. Together with the management teams of the distributors, the Group has formed a platform for monitoring the extensive distribution and retail network. The "Distributors Management Guidelines" was issued to standardise the operational procedures, customer services and training for different regions. The Group offered discounts on ex-factory prices under the stratified management system with reference to annual sales, the ratio of stores owned by the distributors to stores owned by the franchisees and the ratio of stores with largest size versus total stores under their management. Meanwhile, the Group has strictly examined the location, sales floor area and targeted annual sales of those new stores opened by distributors. The stores should also be decorated in accordance with the brand image and display stipulated by the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

The Group has strengthened the supervision to the distributors and point of sales, aiming to improve the quality of customer services and sales performance. In addition, the Group introduced "Mysterious Shoppers", inspecting 4,737 stores, a coverage of over 90% during the reporting period, which has improved the brand desirability and customers satisfaction with the services. The Group has also expedited our progress of connecting the information system among points of sales. The number of retail outlets linking up with the ERP system reached 2,100. This has enabled the Group to promptly analyse sales figures and provide basis for better decision-making and inventory management among distributors as well as better supervision over the point of sales.

### 2. ANTA Brand in Overseas Market

The Group has endeavored to increase our penetration in the international market. The Group's overseas distributors have opened retail stores and concessionary counters in Southeast Asia, Eastern Europe and Middle East. Meanwhile, the Group has launched TV commercials, placed outdoor billboards, organised public relations activities in overseas markets.

### 3. Disposal of Retail Business for International Sportswear Branded Products

The Group considered entering the retail business of international branded products in late 2006 by setting up Shanghai Fengxian Sporting Goods Development Limited ("Shanghai Fengxian") and its subsidiaries to manage the retail business for selling international branded sportswear products. Recent development shows that the distribution channel consolidation has intensified and the industry experienced rapid change whilst the ANTA brand wholesale business has achieved a significant growth. On 16 May 2008, the Group disposed Shanghai Fengxian and its subsidiaries to an independent third party with a consideration of approximately RMB6.0 million. In addition, an advance to Shanghai Fengxian was assumed by the independent third party. Going forward, the Group will focus on ANTA brand management business and improve our research and design capability while exploring the feasibility of introducing international sportswear brand management business to create higher value for the Group.



*The sales are well-trained to provide thoughtful customer services*



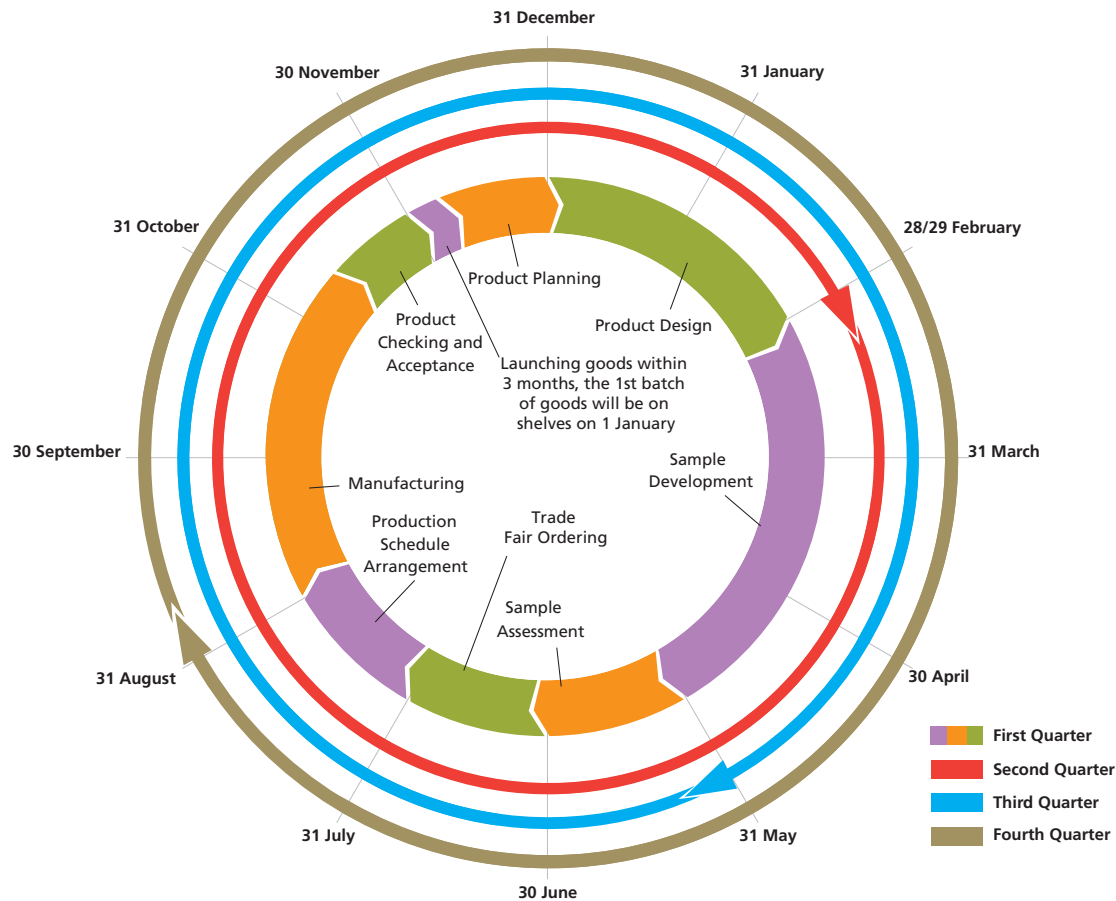


## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Product Differentiation and Supply Chain Management

The Group has dedicated to improve our capability of research and development (“R&D”), design, quality control system to maintain our core competitiveness and reinforce our product differentiation. During the reporting period, the R&D expenditure increased from 2.8% in 2007 to 3.1% (as a percentage of cost of sales).

#### CYCLE OF PRODUCT DESIGN, PRODUCTION AND DELIVERY



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 1. Technological Research and Development

The Group has jointly conducted research with the Academy of Arts & Design of Tsinghua University, Beijing Sport University and China Leather and Footwear Industry Research Institute to enhance the R&D capability. The Group has also devoted to enhance the comfortableness and protectiveness of our sportswear products.



The performance-based basketball shoes with the "A-Core II" technology



The "A-Cozel" technology enhances the shock-resistance capability of running shoes

Technological Invention	Content
"A-Cozel" technology	"A-Cozel" is an advanced shock-resistant material for the production of shoe pads. It can enhance the comfortableness and the shock-resistance capability of the sports footwear and also keep the feet in a dry condition. The shape memory function improves the durability and resists the products to be out of shape easily. "A-Cozel" has been applied to the "Hydrogen Running Shoes", which weighs only 180 gram and was designated for the Dalian International Marathon. It can reduce the burden of athletes. With the technology of "A-Core II", it also enhances the protectiveness and provides strong support to the ankles. The ventilation technology, upper and back sole and shock-resistance technology in the shoes is extremely suitable for running.
Children sports footwear research project	This project analyses the shape of children's feet in China. The Group develops various types of shoe molds and pads based on the research results.
Database for professional athletes	Set up the database to analyse the correlation between foot size for professional athletes, foot base stability towards stress, physical characteristics and the injury conditions for national marathon athletes, table-tennis, volleyball and tennis players.
The "scientific functions of apparel" and the "ergonomic 3-dimensional cutting technology"	Enhance the comfort and fitness capability of apparel products.





The designated basketball shoes for Luis Scola



The durability of sports footwear is ensured by stringent quality control

### 2. Product Design

Apart from our local and international design teams in our headquarter in Fujian, Beijing and Guangzhou, the Group has also collaborated with design institutions from Japan, America, Italy, Belgium and Hong Kong. Among those designers, the Group has collaborated with the world-renowned sports footwear technological designer, Bill Peterson, who designs designated basketball shoes for our endorsed players of the Rockets. The Group has introduced 1,091 new footwear styles, 1,308 new apparel styles and 1,024 new accessory styles during the reporting period to fulfill different consumer demands.

### 3. Quality Control

In the product planning stage, the quality management team has been involved in testing and examining the quality of raw materials and products to ensure our quality can achieve the national quality standard. Significant measures are listed below:

- Testing system for the endurance of apparels' colour and the formaldehyde content;
- Testing system for the durability, the shock-resistance and the polar comfortableness of sports footwear;
- Carried out on-site examination of products at factories.

The Group's products had been awarded the "State-designated Products Exempted from Quality Surveillance Inspection" by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC since 2003 and passed the "ISO 9001 Quality Control Certification". The Group was elected as the Deputy Minister of "Technical Committee of Standardised National Sportswear" and had participated in formulating the quality standard, assisted in enhancing the China's footwear industry into an international level and advancing the technological development of the whole industry.

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

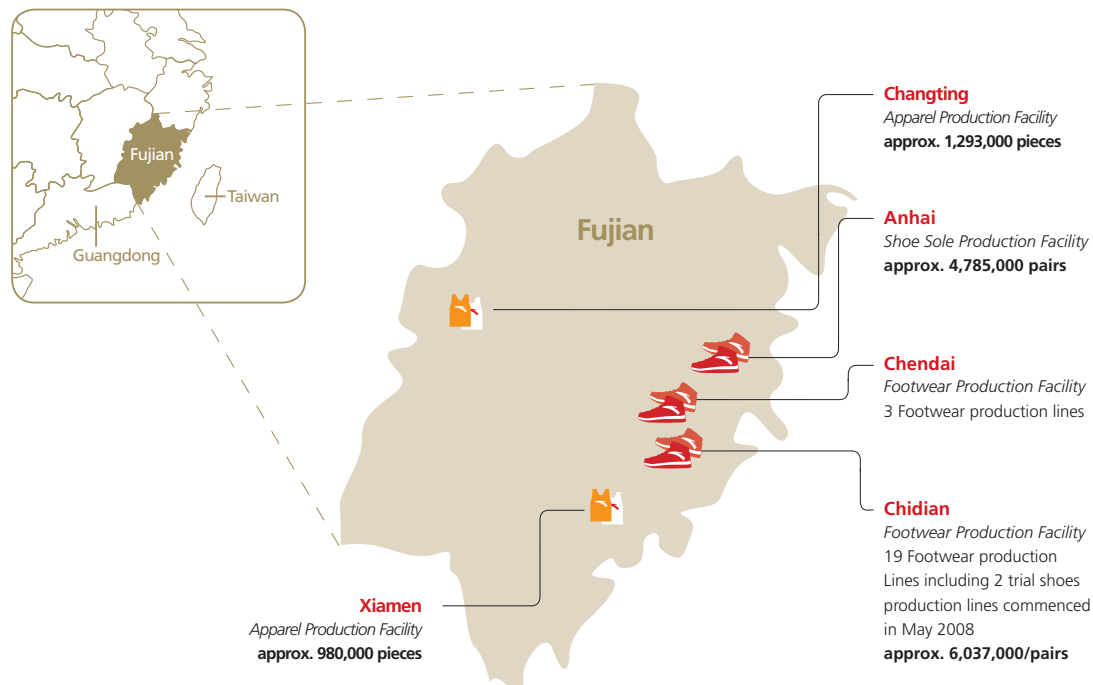
### 4. Supply Chain Management

To strengthen the supply chain management, the Group established a stratified management system of suppliers comprised 3 categories, namely strategic partners, long-term partners and short-term partners. Quarterly review is conducted so as to boost suppliers' performance. Meanwhile, the Group collaborates with suppliers to purchase raw materials together in order to enjoy mass-purchase discounts. The Group established the "Suppliers' Quality Evaluation Handbook" and the "Suppliers' Incentive Scheme", which further encourage suppliers to improve performance and quality spontaneously. The Group had also introduced suppliers with design capabilities and increased the proportion of Original Design Manufacturer ("ODM") in order to reinforce the Group's competitive edge.

### 5. Production Capability

As the demand for ANTA products increases, the Group strategically expanded our production scale. During the reporting period, footwear production lines increased from 15 (at the end of 2007) to 22 (including the 2 trial shoes production lines commenced in May 2008). Together with the shoe sole factory and apparel production bases in Xiamen and Changting, the Group had produced 6.0 million pairs of footwear and 2.3 million pieces of apparel, during the period. On the other hand, the proportions of self-produced footwear and apparel being sold were 49.2% (2007: 62.5%) and 8.9% (2007: 4.3%) respectively.

The Following graph sets out the geographical location of production facilities and the quantity produced in-house during the reporting period.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL REVIEW

	Six months ended 30 June 2008	2007 Restated	Changes
	(RMB million)	(RMB million)	(in %)
Turnover	2,205.2	1,447.7	52.3
Gross profit	857.0	488.6	75.4
Profit from operations	418.6	236.1	77.3
Profit attributable to shareholders	434.3	203.3	113.6
	(RMB cents)	(RMB cents)	(in %)
Earnings per share from continuing and discontinued operations			
– Basic	17.44	11.29	54.5
– Diluted	17.39	11.29	54.0
Shareholders' equity per share	170.77	30.56	458.8
	(HK cents)	(HK cents)	(in %)
Interim dividend per share	10.00	n/a	n/a
	(in %)	(in %)	(in % points)
Gross profit margin	38.9	33.8	5.1
Operating profit margin	19.0	16.3	2.7
Net profit margin	19.7	14.0	5.7
Effective tax rate	8.3	12.5	(4.2)
Advertising and promotional expenses (as a percentage of turnover)	14.0	12.6	1.4
Staff costs (as a percentage of turnover)	7.1	5.6	1.5
Research and development costs (as a percentage of cost of sales)	3.1	2.8	0.3

	At 30 June 2008	At 30 June 2007 Restated
	(in %)	(in %)
Average total shareholders' equity to average total assets	89.8	41.3
Return on average total shareholders' equity (Annualised)	20.8	104.1
Return on average total assets (Annualised)	18.7	43.0
	(in 182 days)	(in 181 days)
Average inventory turnover days	45.8	34.6
Average trade receivables turnover days	16.6	12.6
Average trade and bills payables turnover days	39.2	49.7

#### Notes:

- (1) Return on average total shareholders' equity is equal to the profit attributable to shareholders divided by the average opening and closing total shareholders' equity.
- (2) Return on average total assets is equal to the profit attributable to shareholders divided by the average opening and closing total assets.
- (3) Average inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by number of days in the relevant period.
- (4) Average trade receivables turnovers days is equal to the average opening and closing trade receivables divided by turnover and multiplied by number of days in the relevant period.
- (5) Average trade and bills payables turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by number of days in the relevant period.
- (6) Certain comparative figures have been restated as a result of the presentation of discontinued operation. The result of continuing operation for the six months ended 30 June 2007 represents the performance of ANTA branded business.



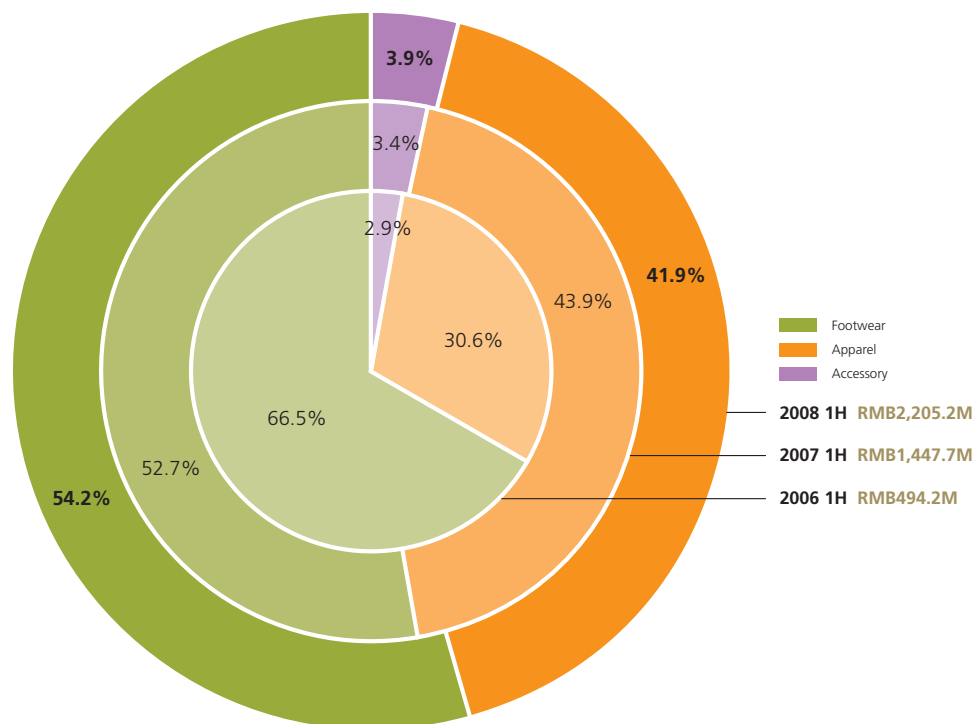


## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Turnover by Products

The following table sets out the contribution of the turnover by product categories for the period:

	2008		2007		Changes (in %)
	(RMB million)	% of total turnover	(RMB million)	% of total turnover	
Footwear	1,195.1	54.2	761.9	52.7	56.9
Apparel	923.2	41.9	636.2	43.9	45.1
Accessories	86.9	3.9	49.6	3.4	75.2
	<b>2,205.2</b>	<b>100.0</b>	<b>1,447.7</b>	<b>100.0</b>	<b>52.3</b>



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### ANTA Brand

During the period, ANTA brand's turnover increased by 52.3% as compared with the same period in 2007 because of increase in average selling prices on both wholesale and retail levels, additional product offerings and expansion of distribution network.

The share of footwear sales increased slightly from 52.7% for the first half of 2007 to 54.2% for the first half of 2008, while the share of apparel and accessories in sales decreased slightly from 47.3% for the first half of 2007 to 45.8% for the first half of 2008. It reflects footwear is relatively well received by the market. A complete range of product lines also reduces fluctuations in the product mix.



### International Brands

The Group's distribution (retail and wholesale) of the sportswear products of international brands, including adidas, Reebok and Kappa, was conducted by Shanghai Fengxian and its subsidiaries. This business was disposed of during the reporting period. For details, please refer to pages 58 to 60. This business commenced in the first half of 2007 and expanded gradually thereafter. Turnover for the four months ended 30 April 2008 amounted to RMB143.3 million, representing a 186.3% growth as compared with RMB50.1 million in the first half of 2007. However, the rapid consolidation in the retail market distribution channels triggered intense competition. Accordingly, more promotional activities were organised to maintain competitiveness and the gross profit margin for the retail business decreased from 35.3% in the first half of 2007 to 31.0% in the current period. While the weighting and the gross profit margin of the wholesale business remains stable, the overall gross profit margin dropped from 27.6% in the first half of 2007 to 25.3% in the current period. This business incurred an operating loss of RMB7.7 million for the period (first half of 2007: RMB2.9 million) mainly contributed by the decrease in gross profit margin.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Turnover Breakdown by Regions

The following table sets out the contribution of the turnover by regions for the period:

	Six months ended 30 June				
	2008		2007		Changes (in %)
	(RMB million)	% of total turnover	(RMB million)	% of total turnover	
Eastern region	943.9	42.8	582.6	40.3	62.0
Southern region	793.2	36.0	589.1	40.7	34.6
Northern region	454.7	20.6	263.7	18.2	72.4
China market	2,191.8	99.4	1,435.4	99.2	52.7
International markets	13.4	0.6	12.3	0.8	8.9
	2,205.2	100.0	1,447.7	100.0	52.3

Notes:

- (1) Eastern region includes Hunan, Hubei, Henan, Anhui, Jiangxi, Zhejiang, Jiangsu and Shanghai.
- (2) Southern region includes Guangdong, Guangxi, Fujian, Hainan, Guizhou, Yunnan, Sichuan, Chongqing and Tibet.
- (3) Northern region includes Beijing, Hebei, Inner Mongolia, Shanxi, Shandong, Gansu, Ningxia, Qinghai, Tianjin, Xinjiang, Shaanxi, Liaoning, Heilongjiang and Jilin.
- (4) International markets include Eastern Europe, Middle East and Southeast Asia.

Increase in turnover in the eastern and northern regions was notable, primarily due to opening of new flagship stores in Beijing, Shanghai, Wuhan and Changsha and expansion of distribution network in those markets with high population density like Hunan, Shandong, Hubei and Henan during the period.



### Analysis of Average Selling Prices/Costs and Total Units Sold

The following table sets out the total units and the average selling prices/costs of footwear and apparel sold respectively for the period:

	Six months ended 30 June								
	2008			2007			Changes		
	Total units sold (thousand)	Average selling prices (RMB)	Average costs (RMB)	Total units sold (thousand)	Average selling prices (RMB)	Average costs (RMB)	Total units sold (in %)	Average selling prices (in %)	Average costs (in %)
Footwear	12,979	92.1	55.9	8,873	85.9	57.6	46.3	↑ 7.2	↓ (3.0)
Apparel	21,071	43.8	27.2	15,326	41.5	27.2	37.5	↑ 5.5	↔ 0.0

Notes:

- (1) We have not included details of the total units sold and the average selling price for the accessory products because we have a broad range of accessory products that vary significantly in terms of their unit prices. We believe that a unit-based analysis of this product category would not be meaningful.
- (2) Average selling price represents the turnover for the period divided by the total units sold for the period. Average cost represents the cost of goods sold for the period divided by the total units sold for the period.

The increase in average selling prices was mainly contributed by the following factors:

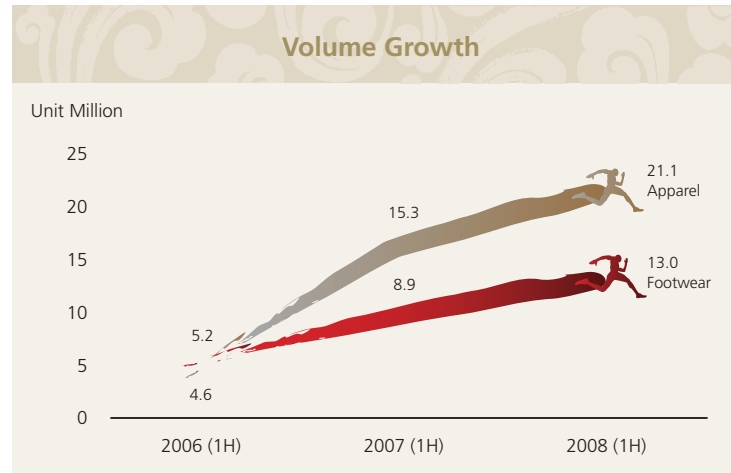
- Increase in disposable income and consumers' demand on sports and health products in China and strengthening of brand desirability have contributed significantly to the average increase in our suggested retail prices;
- The strengthening of brand desirability and stronger supports and services to the distributors have contributed to the increase in negotiating leverage against the distributors. As a result, the ex-factory prices have been adjusted upwards.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

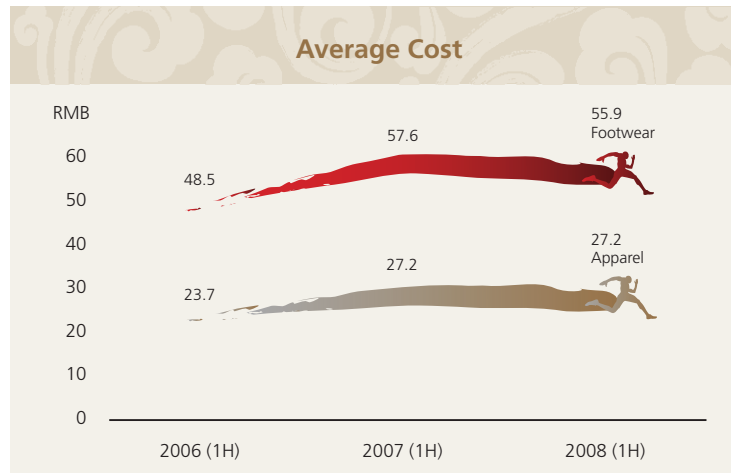
The increase in quantities purchased by the distributors was mainly contributed by the following factors:

- Upgrade of brand and store image and opening of flagship stores at prime locations are crucial factors for improving the quality of the distribution network and creating opportunity for further expansion of the distribution network to other potential markets. During the period, the number of stores and the total sales floor area have been increased;
- The Group has developed a complete range of product lines to meet the demand of different markets (market differentials) in China.



The decrease in average cost on footwear and no change in average cost on apparel are mainly due to effective control on raw materials cost:

- Purchase of raw materials in advance to reduce price fluctuation;
- Purchase of raw materials together with OEM suppliers in order to strengthen the Group's bargaining power and enjoy the mass-purchase discount.





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Turnover Per Store and Per Sales Floor Area

The following table sets out the average contribution of turnover per store and per sq.m. of sales floor area:

	At 30 June			Six months ended 30 June					
	No. of stores	Total sales floor area (in sq.m.)	Average sales floor area per store (in sq.m.)	no. of stores	Weighted average total sales floor area (in sq.m.)	Weighted average sales floor area per store (in sq.m.)	Turnover (RMB million)	Weighted average sales contribution per store (RMB)	Weighted average sales contribution per sq.m. (RMB)
2008	5,193	500,829	96.4	4,959	470,584	94.9	2,191.8	441,984	4,658
2007	4,238	353,577	83.4	4,206	338,130	80.4	1,435.4	341,274	4,245
Changes	22.5%	41.6%	15.6%	17.9%	39.2%	18.0%	52.7%	29.5%	9.7%

Following the upgrading and expansion of the distribution network, the weighted average sales contribution per store has increased by 29.5% comparing with the same period last year, which was made up of the increase in weighted average sales floor area per store by 18.0% and the increase in weighted average sales contribution per sq.m. by 9.7%. The Group's turnover has increased by 52.7% which was made up of the increase in weighted average number of stores by 17.9% and the increase in weighted average sales contribution per store by 29.5%.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Cost of Sales Breakdown by Production and Procurement

The following table sets out the breakdown of the Group's cost of sales by product and procurement and the percentage of such costs to the total cost of sales for the period:

	Six months ended 30 June				
	2008		2007		Changes (in %)
	(RMB million)	% of total cost of sales	(RMB million)	% of total cost of sales	
Self-production					
Raw materials	237.7	17.7	206.9	21.5	14.9
Direct labour	71.8	5.3	41.2	4.3	74.3
Overhead	85.7	6.4	30.4	3.2	181.9
	395.2	29.4	278.5	29.0	41.9
Sub-contracting arrangement					
Raw materials	195.9	14.5	167.7	17.5	16.8
Sub-contracting charges*	97.6	7.2	89.4	9.3	9.2
	293.5	21.7	257.1	26.8	14.2
Outsourced production					
OEM/ODM	659.5	48.9	423.5	44.2	55.7
Total	1,348.2	100.0	959.1	100.0	40.6

\* The sub-contracting charges stated in note 4 of the condensed consolidated financial statements included raw materials processing fee, that portion of the expenses is counted as cost of raw materials in this analysis.

The Group has adopted a sub-contracting arrangement to meet the increasing demand from distributors rather than only rely on OEM/ODM because the Group is able to increase its lateral production capacity while maintaining control over several production processes.

In self-production, change in direct labour cost is higher than that in raw material cost as compared to the same period in 2007 due to increase in staff welfare and allowance. Overhead costs increased mainly due to the increase in research and development expenses to enhance the Group's sports science research and product design capabilities and increase in staff cost for production management team in line with the increase in number of production lines.

### Gross Profit and Gross Profit Margin Breakdown by Products

The following table sets out the gross profit and the gross profit margin by product mix for the period:

	Six months ended 30 June		Gross profit (RMB million)	Gross profit margin (in %)	Changes in gross profit margin (in % points)
	2008	2007			
Footwear	469.5	39.3	250.8	32.9	6.4
Apparel	350.5	38.0	219.2	34.5	3.5
Accessories	37.0	42.6	18.6	37.5	5.1
Overall	857.0	38.9	488.6	33.8	5.1

As the increase in average selling prices for footwear and apparel were more than the changes in average costs of footwear and apparel, the gross profit margins for both products increased during the period.

### Other Revenue

Other revenue for the period mainly represented government grant of RMB12.7 million.

### Finance Income/(Costs), Net

Increase in finance income was mainly due to the interest earned from unutilised IPO proceeds after listing on 10 July 2007.

### Operating Expenses

Selling expenses increased from 14.1% of turnover in the first half of 2007 to 16.2% in the current period, which is due to the increase in advertising and promotional expenses for the pre-Olympic campaign and the expansion of the distribution network.



## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

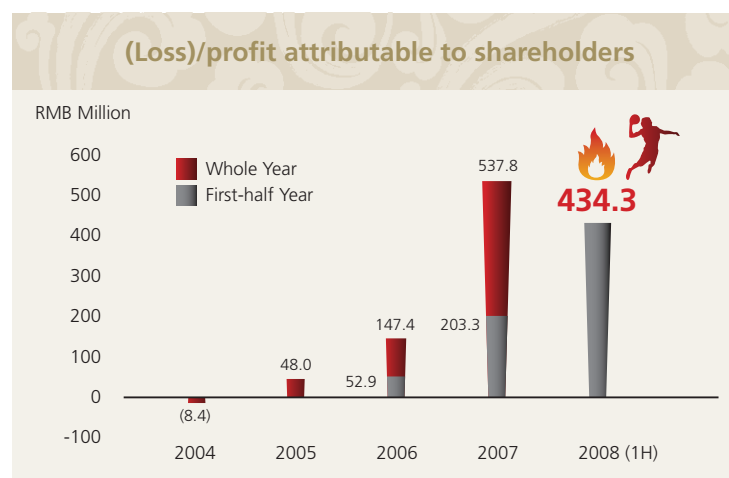
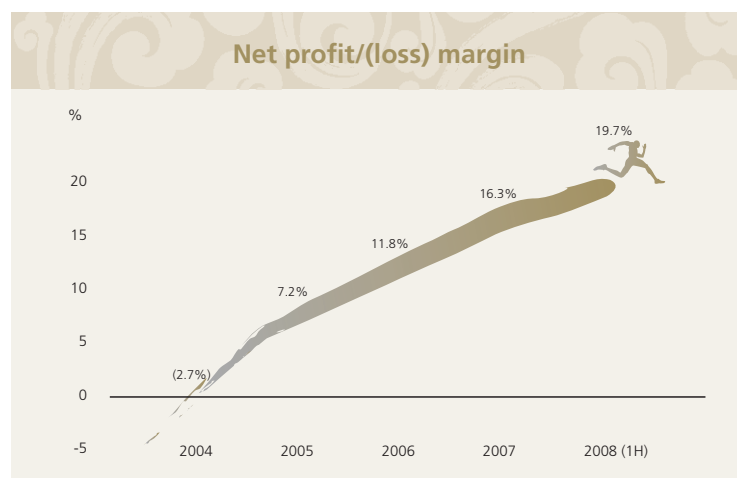
### Effective Tax Rate

The effective tax rate for the period was reduced from 12.5% in the first half of 2007 to 8.3% in the current period mainly because ANTA Quanzhou, ANTA Xiamen and ANTA Changting were within the “tax holiday” period during the first half of 2008. The operating profits of these companies are tax exempted. In addition, interest income derived from bank deposits in Hong Kong is non-taxable.

The Corporate Income Tax Law (“new tax law”) came into effect on 1 January 2008, the financial effect of the new tax law has already been reflected in this financial statements. Domestic enterprises and foreign-invested enterprises that are currently entitled to preferential tax treatments may continue to enjoy those preferential tax treatments until 1 January 2013.

According to the notice Caishui [2008] No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the earnings accumulated since 2008 of a foreign-invested enterprise to a foreign investor will be subject to 5% withholding tax. However, the Group controls the dividend policy of these foreign-invested subsidiaries and estimated no dividend would be distributed by these subsidiaries in the foreseeable future. Accordingly, no deferred tax liabilities were recognised in respect of the dividend withholding tax for the period.

### Net Profit Margin



Net profit margin increased by 5.7% which is higher than the 5.1% increase in gross profit margin for the period because the increase in operating expenses was absorbed by other income.

### Dividend

The Company’s board of directors recommended an interim dividend of HK10 cents per share for the period, representing a total payout of RMB218.7 million and 50.4% distribution of the current period’s profit.



### Assets/Liabilities Turnover Ratio

When comparing with the same period in 2007, the average inventory turnover days increased from 34.6 days to 45.8 days. The increase in inventory is mainly due to procurement of raw materials in advance to control the production costs, increase in production lines, and preparation of despatch of merchandises in July 2008.

As the Group has relatively extended the credit period granted to distributors to support their expansion of the business, the average trade receivables turnover days for the period has slightly increased from 12.6 days to 16.6 days, when comparing with the same period in 2007.

The average trade payable turnover days decreased from 49.7 days to 39.2 days when comparing with the same period in 2007 because the Group accelerated the payment of trade payable as one of the ways to speed up the conversion of the remittance of Hong Kong dollar into Renminbi.

### Liquidity and Financial Resources

At 30 June 2008, the cash and cash equivalents of the Group amounted to RMB3,299.7 million, representing an increase of RMB68.2 million as compared with the balance of RMB3,231.5 million at 31 December 2007.

- Cash inflows on operating activities amounted to RMB489.5 million, which mainly represented the profit before taxation of RMB482.1 million adjusted with depreciation and amortisation of RMB24.0 million and tax payment of RMB35.8 million.
- Cash outflows on investing activities amounted to RMB81.3 million, comprised mainly capital expenditure for property, plant and equipment totalling RMB37.0 million; payments for construction of factory premises in Jinjiang, Xiamen and Changting amounting to RMB30.6 million; and net cash outflows from the disposal of subsidiaries of RMB14.7 million.
- Cash outflow on financing activities amounted to RMB181.9 million, represented the payment of the final dividend in respect of the year 2007.

At 30 June 2008, total assets of the Group was RMB4,724.1 million of which current assets reached RMB4,209.0 million. On the same date, total liabilities were RMB471.8 million and total equity amounted to RMB4,252.3 million. There was no outstanding bank loan at 30 June 2008.

As a result of the increase in average total shareholders' equity (mainly share premium) after the listing in the second half of 2007, the annualised return on average total shareholders' equity decreased from 104.1% in the first half of 2007 to 20.8% in the first half of 2008. In addition, the annualised return on average total assets dropped from 43.0% for the first half of 2007 to 18.7% for the first half of 2008, mainly due to the increase in cash and cash equivalents after the listing.





## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### Pledge of Assets

At 30 June 2008, the Group had bank deposits of RMB2.3 million pledged (at 31 December 2007: RMB1.6 million) to secure the banker documentary credit for acquiring equipment.

### Capital Commitments and Contingencies

At 30 June 2008, the Group has capital commitments of RMB223.8 million, primarily related to the expansion of our footwear production facilities in Jinjiang and the establishment of an operational center in Xiamen.

At 30 June 2008, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

### Financial Management Policies

The Group continues to control financial risks in a prudent manner and proactively adopt internationally recognised corporate management standards to safeguard the interests of shareholders. For the period, the Group's unutilised IPO proceeds were deposited in bank accounts denominated in Hong Kong Dollar and the Group will pay dividends in Hong Kong Dollar. Accordingly, the functional currency of the Group's holding company is Hong Kong Dollar. However, the holding company's financial statements have to be translated into Renminbi for reporting and consolidation purposes. Foreign exchange difference which is arising from the translation of financial statements will not be presented as profit or loss, but will be recognised directly to equity as a separate reserve item. As the Group conducted our business transactions principally in Renminbi, the exchange rate risk on the Group's operational level is not significant. Accordingly, the Group does not employ any financial instruments for hedging purposes. Nevertheless, the management continues to monitor the foreign exchange exposure and be prepared to take prudent measures such as hedging by currency options and non-deliverable forwards when needed.

### Significant Investments and Acquisitions

During the period, except for the disposal of the Shanghai Fengxian and its subsidiaries, the Group has made no significant investments or any material acquisition or disposal of subsidiaries. The Group continues to seek business opportunities such as acquisition and cooperation with international sportswear brands to operate brand management and product design business, so as to increase the returns on shareholders' equity.



## PROSPECTS

### Market Diversification

China's sportswear market grows rapidly and the consumption pattern undergoes rapid change. Consumers not only demand for functional sportswear products, but also seek trendy style and performance. Other market segments with great potential have not yet been explored. The Group had launched the trade fair for kids' sportswear series and trendy sneaker series in July 2008 and received favorable response. The Group aims to launch these series in the Fourth Quarter of 2008.



#### 1. Kids' Sportswear Series

Save as aforesaid, the children sportswear market has significant potential for growth and the Group will firstly target children with age of 9 to 14. The kids' sports footwear, apparel and accessories are designed with a combination of functionality, style and simple cutting. The product line fulfills the vacancy of kids' sportswear products in the mass market to attract consumers which target value-for-money products. The initiatives allow ANTA to grow together with our target consumers and build up strong brand loyalty towards ANTA. The Group targets to open 100 kids' sportswear retail stores in core markets by the end of 2008, and will firstly open "shops in shops" by our distributors. Meanwhile, in order to attract both parents and children, the Group will open display corners for kids' series in the existing larger retail stores under the Group's distribution system. The decoration of kids' sportswear retail stores is vivid and in orange colour as the theme image.



The simulated store image of the kids sportswear series

## MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

### 2. Trendy Sneaker Store

Save as aforesaid, the Group also finds strong demand for trendy sportswear products. The series emphasises strong fashion sense and the use of colour, aiming to attract consumers at the age of 15 to 28, usually teenagers and working class which demand comfortable and stylish sneakers. The Group's distributors will open 100 trendy sneaker stores in the first and second tier cities by the end of 2008, and plans to transform existing smaller size retail stores to trendy sneaker stores. The trendy sneaker stores will use black as the theme colour.

### Brand Internationalisation

The Group will stay focused on the brand development in order to enhance our brand recognition, desirability and professional image. The Group will reinforce the collaboration with the two endorsed players of the Rockets. A "China Tour" will be held after the Beijing Olympic in China to promote their designated basketball shoes series and exchange their basketball skills with Chinese players. Moreover, as the Rockets attract attentions from China basketball fans, the strategic alliance partnership with the Rockets will provide an opportunity to increase the exposure and enhance the professional image of the ANTA brand.

### Increase Penetration of Distribution Network

The Group will strategically expand the distribution and retail network and maintain the effectiveness of distribution and retail channel. The Group targets to increase the number of stores to 5,400 by the end of 2008. The Group will further enhance the store image and open stores with sales floor area over 200 sq.m. at the prime locations in the key markets. The Group also targets to open 2 more flagship stores making a total of 10 ANTA flagship stores by the end of 2008. Together with the trendy sneaker stores and kids' sportswear series stores, ANTA products will penetrate into various regions with higher population density and potential for expansion.



The simulated store image of the trendy sneaker store



The 2 endorsed players of the Houston Rockets will visit China in the second half of 2008





The Group's chairman, Mr. Ding Shizhong, gave speech at the press conference of "ANTA CCTV Sport Personality"

### Exploration of Sponsorship Resources

The Group and CCTV will jointly hold the "ANTA CCTV Sports Personality" by the end of 2008, which is termed as "Sports Oscar in China", to accredit the national sportsmen and athletes with outstanding contribution in the preceding year. This programme will be broadcasted nationwide which will increase ANTA brand's recognition and awareness.

As to enhance ANTA's international image, the Group is currently looking for overseas international athletes who are popular in China to be our endorsed players. Chinese players' recognition and skills on various sports such as tennis, track and field and marathon have been improving and they are becoming more popular in China. The Group is also eyeing on these potential youth athletes and continues to seek other sponsorship resources.

### Enhancement of R&D and Quality Control

The Group continues to enhance our R&D capabilities and strengthen collaboration with international and local renowned design and R&D institutions. The designers with different cultural background will contribute their expertise to strengthen the functionality and design of the products. As a result, the Group's design and product lines will be realigned in line with latest change of consumers' preference and tastes. Meanwhile, the Group will intensify the testing and examination system for finished-products to uphold the quality control system.

### Optimisation of Supply-Chain Management

The Group will strategically expand our self-production scale to meet the foreseeable demand. The Group will reinforce the supply-chain management and increase more ODM rather than OEM. Accordingly, the competitiveness of product design capability will be strengthened by more outsource to ODM.



The advanced "A-Core" technology enhances the shock-resistance capability



# 加油 中国

FUEL UP CHINA

FAITH WILL HEARTEN  
OUR AMBITION



# CORPORATE SOCIAL RESPONSIBILITY



Beholding the core value of “faith and gratitude”, the Group’s obligation in enhancing the well-being of the society has been made parallel to our business growth.

## ANTA and the Society

Having committed to become a responsible corporate citizen, the Group has participated in charity events in such aspects as public welfare, sports, education and environmental protection.

### 1. Concerns over Social Needs

The Group donated a sum of RMB10 million in cash and goods immediately after the earthquake in Sichuan and also appealed our distributors, franchisees, suppliers and staff to donate more than RMB4 million for reconstruction of the earthquake afflicted areas in Sichuan.



The Group’s chairman, Mr Ding Shizhong announced to donate for the victims in Sichuan



ANTA’s staff quened up for donation in answer to Mr. Ding’s appeal



## CORPORATE SOCIAL RESPONSIBILITY (Continued)

### 2. Public Welfare Involvement

The Group emphasises youth education as it is the foundation for building tomorrow's leaders. During the reporting period, the Group has enthusiastically supported the local youth education and made donations to Quanzhou primary schools and kindergartens for facilitating better teaching environment.

### 3. Promoting Industrial Development

The Group is passionate towards the development of China sportswear industry by taking part in establishing quality standard of sportswear products.

### 4. Compliance and Integrity

The Group has been strictly complying with laws and regulations and settling the tax payments on a timely basis. During the reporting period, the Group did not involve in any significant litigation, arbitrations or claims.

## ANTA and Staff

At 30 June 2008, the Group had 12,493 employees (31 December 2007: 10,280 employees). Designers and professionals from Hong Kong, Taiwan, Japan, Korea and Italy work together with local staff. This creates a multi-cultural working environment which brings in brilliant inspiration.



Confidence and team-work have been built up by various training programs





A study tour organised for the staff



Champions of the ABA

### 1. *Cultivating Corporate Culture*

The Group also strives to build a cohesive corporate culture through different activities, such as “ABA (ANTA Basketball Association) Basketball League”, “Singing Contest of the Youths” and “Jinjiang Corporate Choir”. Employees are able to balance between work and personal life. Moreover, internal publications such as “ANTA Youths” and “Motive Force” are issued to enhance the internal communication and disseminate the latest information to the staff so as to enhance their recognition of the Group and the sense of belongings. Also, in early 2008, when there was the severe snowstorm in Southern China, the Group comforted the workers who stayed behind with series of warm New Year activities.

### 2. *Personalising HR Management*

With the aim of building a comfortable and fair working environment, from time to time, the Group has been enhancing human resources management system, providing advancement opportunities and training development to our staff and setting up “Recruitments Management Scheme” and “Promotions Management Scheme”. These measures help training up talents, standardising internal promotions and enhancing the competitiveness of the Group as a whole.

With the help of world-renowned professional human resources consultancy company, the human resources management of the Group had been strengthened. The Group has aspired to provide extensive learning opportunities for the staff in order to enhance their knowledge and skills. During the reporting period, the Group arranged 752 training courses with an aggregate of 152,174 training hours. The training content extensively covers various aspects such as the computer software applications, team building, personal growth etc. In addition, through the set-up of different electronic systems such as ERP (“Enterprise Resources System”) and eHR, the daily operating procedures are simplified which facilitates efficient work.

### 3. *Protecting Labour Rights*

The Group strictly complies with the laws, regulations and industry rules, such as entering into employment contracts and providing welfare for staff. Also, the Group prohibits child labor employment and forced labour while upholding gender equality and “equal work equal pay” employment policies. Moreover, to protect the safety and health of the staff, the Group had set out safety guidelines and provided related trainings and gear as well as annual health check without charge.





## CORPORATE SOCIAL RESPONSIBILITY (Continued)

### ANTA and Consumers

The Group conducted market surveys to understand the market trend and the consumer tastes and preference. Also, the Group has developed channels for interaction with consumers to understand their concerns and needs. Moreover, the Group will establish effective feedback mechanism to provide more post-sales services and support to consumers.

### ANTA and Suppliers

To ensure the quality control of products, the Group regularly applies random quality inspection of the products and the raw materials from suppliers. To ensure both the Group and the suppliers can enjoy mass-purchase discount, the Group will procure raw materials together with the suppliers.

### ANTA and Distributors

The Group gives supports to our distributors such as strengthening information and resource sharing, providing display and promotional materials, and supporting them to upgrade the store image and relocation by reimbursement of renovation costs for those stores located in strategic sites. In addition, the Group had set up "ANTA College" to provide training for the retail management team and frontline staff. Together with the retail and display guidance, regular national retail training camps and surprise site-visits to check compliance with our standards, the quality of customer services can be further enhanced.

### ANTA and Environment

The Group strictly complies with corresponding environmental regulations and rules, gains all necessary permissions and approvals from the regulatory bodies. The Group's footwear production facilities passed the ISO14001:2004 Environmental Management System Certification for our design, development and product processing. Whereas, the Group's apparel production facilities were also built according to relevant environmental regulations which have limited sewage and wastage disposal.



*The Group has maintained a good relationship with consumers*



*The Group always concerns about children's development and the environment protection*



## ANTA and Investors

Led by the CFO and fully supported by the Board, the Group has formed an investor relations department since our listing, which creates a platform for communications with shareholders, investors, analysts, media and the public. During the reporting period, the Group continues to improve quality of information disclosures and explore disclosure channels, provide a fair, prompt, accurate communication platform for the public to get the latest information of the Group in a convenient and direct way.





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PERSISTENCE WILL  
ENHANCE OUR VIGOR



# INDEPENDENT REVIEW REPORT OF THE AUDITORS



Independent Review Report to the Board of Directors of  
**ANTA Sports Products Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 49 to 74 which comprises the condensed consolidated balance sheet of ANTA Sports Products Limited as at 30 June 2008 and the related condensed consolidated statement of income, and condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" promulgated by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 Hong Kong 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 report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

### KPMG

*Certified Public Accountants*  
8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

25 August 2008





## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2008 RMB'000	2007 RMB'000 <i>Restated</i>
<b>Continuing operations</b>			
<b>Turnover</b>	2	<b>2,205,201</b>	1,447,684
Cost of sales		<b>(1,348,202)</b>	(959,104)
<b>Gross profit</b>		<b>856,999</b>	488,580
Other revenue		<b>16,150</b>	1,636
Other net loss		<b>(356)</b>	(40)
Selling and distribution expenses		<b>(358,263)</b>	(204,158)
Administrative expenses		<b>(95,899)</b>	(49,893)
<b>Profit from operations</b>		<b>418,631</b>	236,125
Finance income/(costs), net	3	<b>63,512</b>	(284)
<b>Profit before taxation</b>	4	<b>482,143</b>	235,841
Taxation	5	<b>(39,998)</b>	(29,433)
Profit from continuing operations		<b>442,145</b>	206,408
<b>Discontinued operations</b>			
Loss from discontinued operations	6	<b>(7,858)</b>	(3,133)
<b>Profit for the period</b>		<b>434,287</b>	203,275
<b>Dividends</b>	7(a)	<b>218,712</b>	–
<b>Earnings/(loss) per share</b>			
<b>From continuing and discontinued operations</b>			
– Basic (RMB cents)		<b>17.44</b>	11.29
– Diluted (RMB cents)		<b>17.39</b>	11.29
<b>From continuing operations</b>			
– Basic (RMB cents)		<b>17.76</b>	11.47
– Diluted (RMB cents)		<b>17.70</b>	11.47
<b>From discontinued operations</b>			
– Basic (RMB cents)		<b>(0.32)</b>	(0.17)
– Diluted (RMB cents)		<b>(0.31)</b>	(0.17)

The accompanying notes form part of this interim financial report.



## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008 – unaudited  
(Expressed in Renminbi)

	Note	30 June 2008 RMB'000	31 December 2007 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	377,558	328,440
Construction in progress	10	38,487	67,832
Lease prepayments	11	26,868	23,784
Prepayment for the acquisition of land use rights	11	68,427	70,520
Intangible assets	12	3,720	4,213
<b>Total non-current assets</b>		<b>515,060</b>	494,789
<b>Current assets</b>			
Inventories	13	357,182	434,787
Trade and other receivables	14	549,547	467,740
Amounts due from related parties	23(b)	271	317
Pledged deposits	15	2,319	1,590
Cash and cash equivalents	16	3,299,690	3,231,515
<b>Total current assets</b>		<b>4,209,009</b>	4,135,949
<b>Total assets</b>		<b>4,724,069</b>	4,630,738
<b>Current liabilities</b>			
Trade and other payables	17	441,837	455,714
Amounts due to related parties	23(b)	2,530	1,472
Current taxation	21	27,433	22,858
<b>Total current liabilities</b>		<b>471,800</b>	480,044
<b>Net current assets</b>		<b>3,737,209</b>	3,655,905
<b>Total assets less current liabilities</b>		<b>4,252,269</b>	4,150,694
<b>Equity</b>			
Share capital	18	241,654	241,654
Reserves	20	4,010,615	3,909,040
<b>Total equity attributable to shareholders of the Company</b>		<b>4,252,269</b>	4,150,694
<b>Total liabilities and equity</b>		<b>4,724,069</b>	4,630,738

The accompanying notes form part of this interim financial report.



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008 – unaudited  
(Expressed in Renminbi)

	Attributable to shareholders of the Company								
	Note	Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Share-based compensation reserve	Retained profits	Total equity
		RMB'000	RMB'000 Note 20(a)	RMB'000 Note 20(b)	RMB'000 Note 20(c)	RMB'000 Note 20(d)	RMB'000 Note 20(e)	RMB'000	RMB'000
At 1 January 2007		51,216	–	132	18,641	10,974	–	156,948	237,911
Exchange differences on translation of financial statements of operations outside China		–	–	–	–	5,113	–	–	5,113
Capitalisation upon incorporation of the Company		152	–	–	–	–	–	–	152
Reduction of capital upon reorganisation		(1,216)	–	–	–	–	–	–	(1,216)
Deemed distribution to controlling shareholders		(50,000)	–	(132)	–	–	–	13,896	(36,236)
Increase in reserve arising from reorganisation		–	–	141,029	–	–	–	–	141,029
Profit for the period		–	–	–	–	–	–	203,275	203,275
<b>At 30 June 2007</b>		<b>152</b>	<b>–</b>	<b>141,029</b>	<b>18,641</b>	<b>16,087</b>	<b>–</b>	<b>374,119</b>	<b>550,028</b>
<b>At 1 January 2008</b>		<b>241,654</b>	<b>3,129,974</b>	<b>141,029</b>	<b>63,307</b>	<b>(89,739)</b>	<b>498</b>	<b>663,971</b>	<b>4,150,694</b>
Exchange difference on translation of financial statements of operations outside China		–	–	–	–	(151,254)	–	–	(151,254)
Equity settled share-based payments	19	–	–	–	–	–	460	–	460
Dividend approved in respect of the previous year	7(b)	–	(181,918)	–	–	–	–	–	(181,918)
Appropriation to statutory reserve		–	–	–	46,663	–	–	(46,663)	–
Profit for the period		–	–	–	–	–	–	434,287	434,287
<b>At 30 June 2008</b>		<b>241,654</b>	<b>2,948,056</b>	<b>141,029</b>	<b>109,970</b>	<b>(240,993)</b>	<b>958</b>	<b>1,051,595</b>	<b>4,252,269</b>

The accompanying notes form part of this interim financial report.



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2008 RMB'000	2007 RMB'000
Net cash generated from operating activities		489,473	199,649
Net cash used in investing activities		(81,260)	(88,513)
Net cash used in financing activities		(181,918)	(124,825)
Net increase/(decrease) in cash and cash equivalents		226,295	(13,689)
Cash and cash equivalents at 1 January		3,231,515	176,335
Effect of foreign exchange rate changes		(158,120)	(373)
Cash and cash equivalents at 30 June	16	3,299,690	162,273

The accompanying notes form part of this interim financial report.



# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 BASIS OF PRESENTATION AND PREPARATION

### (a) Basis of presentation

ANTA Sports Products Limited (the “Company”) was incorporated in the Cayman Islands on 8 February 2007. The Company and its subsidiaries (the “Group”) are principally engaged in manufacturing and trading and distribution of sporting goods including footwear, apparel and accessories. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 10 July 2007.

### (b) Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34 “Interim financial reporting”, issued by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 25 August 2008.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 Annual Financial Statements with an accounting policy adopted in relation to discontinued operations, which is applicable for the period ended 30 June 2008. Details of the accounting policy on discontinued operations are set out below.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management, in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2007 Annual Financial Statements.

The interim financial report contains condensed consolidated financial statements (“interim financial statements”) and selected explanatory notes which do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 Annual Financial Statements.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG's independent review report to the Board of Directors is included on page 48.



## 1 BASIS OF PRESENTATION AND PREPARATION (Continued)

### (b) Basis of preparation (Continued)

The unaudited interim financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise indicated, and are prepared on the historical cost basis.

#### *Discontinued operations*

A discontinued operation is a component of the Group’s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

## 2 TURNOVER AND SEGMENT REPORTING

Segment information is presented in respect of the Group’s business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group’s internal financial reporting system. In view of the fact that the Group operates mainly in the People’s Republic of China (“PRC”), no geographical segment is presented. Turnover represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes.

The Group is engaged in the following main business segments:

- (i) ANTA branded products – manufacturing and trading of ANTA branded sporting goods, including footwear, apparel and accessories (“ANTA Brand”).
- (ii) International branded products – distribution of sporting goods of international brands, including adidas, Reebok and Kappa (collectively “International Brands”). This business was disposed of during the period (note 6).





**2 TURNOVER AND SEGMENT REPORTING** (Continued)

**Segment results**

	Continuing operations ANTA Brand		Discontinued operations International Brands		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
<b>Turnover</b>						
Revenue from external customer	2,205,201	1,447,684	143,273	50,051	2,348,474	1,497,735
Segment results	432,631	237,243	(7,658)	(2,939)	424,973	234,304
Unallocated operating income and expenses					49,512	(1,402)
Profit before taxation					474,485	232,902
Taxation					(40,198)	(29,627)
<b>Profit for the period</b>					<b>434,287</b>	<b>203,275</b>
<b>Other segment information</b>						
Depreciation and amortisation	16,631	8,725	7,367	1,723	23,998	10,448

**Segment assets and liabilities**

	Continuing operations ANTA Brand		Discontinued operations International Brands		Inter-segment elimination		Total	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
<b>Assets</b>								
Segment assets	1,422,860	1,341,354	-	205,892	-	(178,976)	1,422,860	1,368,270
Unallocated assets							3,301,209	3,262,468
Total assets							4,724,069	4,630,738
<b>Liabilities</b>								
Segment liabilities	439,357	402,967	-	206,618	-	(158,976)	439,357	450,609
Unallocated liabilities							32,443	29,435
Total liabilities							471,800	480,044
<b>Other segment information</b>								
Capital expenditure	65,720	229,209	3,677	35,320	-	-	69,397	264,529



### 3 FINANCE INCOME/(COSTS), NET

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	61,546	1,118	58	4	61,604	1,122
Financial assets at fair value through profit or loss						
– realised fair value gain	1,966	–	–	–	1,966	–
	63,512	1,118	58	4	63,570	1,122
Interest expenses on bank borrowings wholly repayable within five years	–	(1,402)	–	–	–	(1,402)
Total finance income/(costs), net	63,512	(284)	58	4	63,570	(280)

### 4 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Staff costs (i)	156,390	81,224	13,166	4,612	169,556	85,836
Depreciation	15,950	8,301	7,298	1,723	23,248	10,024
Amortisation						
– lease prepayments	311	315	–	–	311	315
– intangible assets	370	109	69	–	439	109
Subcontracting charges	127,034	109,736	–	–	127,034	109,736
Auditors' remuneration	1,173	169	–	–	1,173	169
Operating lease charges in respect of properties	5,109	2,026	25,169	6,534	30,278	8,560
Research and development costs (i)	41,832	27,283	–	–	41,832	27,283

(i) Research and development costs included staff costs of employees in the Research and Development Department, which are included in the staff costs as disclosed above.

## 5 TAXATION IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

Taxation in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
<b>Continuing operations</b>		
Current tax – PRC income tax		
Provision for the period	39,998	29,433
<b>Discontinued operations</b>		
Current tax – PRC income tax		
Provision for the period	200	194

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2008.
- (iii) During the period, certain subsidiaries in the PRC are entitled to preferential tax treatments. They are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the applicable tax rate (“Five-year tax holiday”).

The Corporate Income Tax Law of the PRC (“new tax law”) took effect on 1 January 2008. The PRC income tax rate is unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note (“Implementation Guidance”) on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised their five-year tax holiday will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

## 5 TAXATION IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

(Continued)

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New Tax Law ("Notice 39") issued by The State Council on 26 December 2007, effective from 1 January 2008, the existing preferential income tax rate of 15% pertaining to certain enterprises of the Group established in the PRC will gradually transit to applicable tax rate of 25%.

Further under the New Tax Law, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by treaty) on various types of passive income such as dividends derived from sources within the PRC. As all of the Group's foreign-invested enterprises are directly held by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax.

According to the notice Caishui [2008] No.1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the pre-2008 retained profits of a foreign-invested enterprise to a foreign investor in 2008 or after are exempt from corporate income tax. Accordingly, the retained profits as at 31 December 2007 in the Group's foreign-invested enterprise' books and accounts will not be subject to 5% withholding tax on future distributions.

The Group is liable to withholding tax on dividends distributed from the Group's foreign-invested enterprises in respect of their profits generated on or after 1 January 2008. At 30 June 2008, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprises amounted to RMB419,968,000 (31 December 2007: nil). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these foreign-invested enterprises and it has been determined that it is probable that profits will not be distributed by these foreign-invested enterprises in the foreseeable future.

## 6 DISCONTINUED OPERATIONS

On 16 May 2008, the Group disposed of the entire interest in Shanghai Fengxian Sporting Goods Development Limited ("Shanghai Fengxian") (上海鋒線體育用品發展有限公司) and its subsidiaries at a consideration of RMB5,974,000 to Jiangsu Hesheng Investment Guarantee Development Co. Ltd (江蘇和盛投資擔保發展有限公司), an independent third party. In addition, the amount due from Shanghai Fengxian to a group company of RMB181,376,000 was assumed by Jiangsu Hensheng Investment Guarantee Development Co. Ltd. The results of Shanghai Fengxian and its subsidiaries are presented in this interim financial statements as discontinued operations and comparative figures have been restated.



**6 DISCONTINUED OPERATIONS** (Continued)

The results and cash flows of Shanghai Fengxian and its subsidiaries included in the condensed consolidated income statement and condensed consolidated cash flow statement from 1 January 2007 to 30 June 2007 and 1 January 2008 to 30 April 2008 are set out below:

	Note	Four months ended 30 April 2008 RMB'000	Six months ended 30 June 2007 RMB'000
<b>Turnover</b>	2	<b>143,273</b>	50,051
Cost of sales	13	<b>(107,014)</b>	(36,220)
<b>Gross profit</b>		<b>36,259</b>	13,831
Other revenue		<b>5,839</b>	–
Other net income/(loss)		<b>28</b>	(5)
Selling and distribution expenses		<b>(43,346)</b>	(10,875)
Administrative expenses		<b>(6,496)</b>	(5,894)
<b>Loss from operations</b>		<b>(7,716)</b>	(2,943)
Finance income, net	3	<b>58</b>	4
<b>Loss before taxation</b>	4	<b>(7,658)</b>	(2,939)
Taxation	5	<b>(200)</b>	(194)
<b>Loss for the period</b>		<b>(7,858)</b>	(3,133)
Net cash generated from/(used in) operating activities		<b>7,099</b>	(11,627)
Net cash used in investing activities		<b>(1,038)</b>	(9,889)
Net cash generated from/(used in) discontinued operations		<b>6,061</b>	(21,516)





**6 DISCONTINUED OPERATIONS** (Continued)

The net assets of Shanghai Fengxian and its subsidiaries at 30 April 2008 and the effect of the disposal are as below:

	RMB'000
Assets/liabilities being disposed of:	
Property, plant and equipment (Note 9)	21,609
Intangible asset (Note 12)	557
Inventories	114,233
Trade and other receivables	74,213
Cash and cash equivalents	20,627
Trade and other payables	(44,083)
Amount due to a related party	(181,376)
Current taxation	194
<b>Net assets</b>	<b>5,974</b>
Consideration satisfied by:	
Cash	5,974
 Net cash outflow of cash and cash equivalents in respect of the disposal of Shanghai Fengxian and its subsidiaries:	
Cash consideration	5,974
Cash and cash equivalents disposed of	(20,627)
	<b>(14,653)</b>



## 7 DIVIDENDS

(a) Dividends attributable to the interim period:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interim dividend declared and paid after the interim period of HK10 cents per share (2007: Nil)	<b>218,712</b>	–

The interim dividend has not been recognised as a liability at the balance sheet date.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Final dividends in respect of the financial year ended 31 December 2007, approved and paid during the period, of HK8 cents per share (2006: Nil)	<b>181,918</b>	–



## 8 EARNINGS/(LOSS) PER SHARE

### (a) Basic earnings/(loss) per share

#### *From continuing operations and discontinued operations*

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to shareholders of the Company for the period of RMB434,287,000 (2007: RMB203,275,000) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 2,490,000,000 (2007: 1,800,000,000).

#### *From continuing operations*

The calculation of basic earnings per share for the six months ended 30 June 2008 is based on the profit attributable to shareholders of the Company from continuing operations for the period of RMB442,145,000 (2007: RMB206,408,000) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 2,490,000,000 (2007: 1,800,000,000).

#### *From discontinued operations*

The calculation of basic loss per share for the six months ended 30 June 2008 is based on the loss borne by shareholders of the Company from discontinued operations for the period of RMB7,858,000 (2007: RMB3,133,000) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 2,490,000,000 (2007: 1,800,000,000).

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the weighted average number of shares in issued adjusted for the potential dilutive effect caused by the share options granted under the Pre-IPO share option scheme (note 19(a)) assuming they were exercised.

	Six months ended 30 June	
	2008	2007
	'000 Share	'000 Share
Weighted average number of shares	2,490,000	1,800,000
Effect of deemed issue of shares under the Company's Pre-IPO share option scheme	7,951	–
Weighted average number of shares (diluted)	2,497,951	1,800,000

## 9 PROPERTY, PLANT AND EQUIPMENT

	2008 RMB'000	2007 RMB'000
Net book value, at 1 January	328,440	160,806
Additions	36,956	39,782
Transfer from construction in progress (note 10)	59,981	58,298
Disposals (net carrying amount)	(2,962)	(1,821)
Disposal of subsidiaries (net carrying amount) (note 6)	(21,609)	–
Depreciation charge for the period	(23,248)	(10,024)
Net book value, at 30 June	377,558	247,041

## 10 CONSTRUCTION IN PROGRESS

	2008 RMB'000	2007 RMB'000
At 1 January	67,832	76,463
Additions	30,636	48,270
Transfer to property, plant and equipment (note 9)	(59,981)	(58,298)
At 30 June	38,487	66,435

## 11 LEASE PREPAYMENTS/PREPAYMENT FOR THE ACQUISITION OF LAND USE RIGHTS

### (a) Lease prepayments

Interests in leasehold land represent prepayments of land use rights premiums to the PRC authorities. The Group's leasehold land is located in the PRC, on which the manufacturing plants were built. The Group is granted land use rights for a period of 50 years.

### (b) Prepayment for the acquisition of land use rights

As at 30 June 2008, the Group had made prepayments of RMB68,427,000 (31 December 2007: RMB70,520,000) for the acquisition of land use rights for certain self-operating properties under development. The related ownership certificates are under application.



## 12 INTANGIBLE ASSETS

	2008 RMB'000	2007 RMB'000
Net book value, at 1 January	4,213	3,566
Additions	503	1,664
Disposals (net carrying amount)	–	(780)
Disposal of subsidiaries (net carrying amount) (note 6)	(557)	–
Amortisation for the period	(439)	(109)
Net book value, at 30 June	3,720	4,341

## 13 INVENTORIES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Raw materials	165,175	111,868
Work in progress	52,454	44,697
Finished goods	139,553	278,222
	357,182	434,787

An analysis of the amount of inventories recognised as an expense is as follows:

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Cost of inventories sold	1,455,216	994,643
Write-down of inventories	–	681
	1,455,216	995,324
Representing:		
– Continuing operations	1,348,202	959,104
– Discontinued operations (note 6)	107,014	36,220



## 14 TRADE AND OTHER RECEIVABLES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade receivables	245,345	184,472
Payments in advance to suppliers	144,545	128,865
Deposits and prepayments	80,592	102,299
VAT receivables	38,865	27,944
Interest receivable	–	19,871
Other receivables	40,200	4,289
	<b>549,547</b>	<b>467,740</b>

All of the trade and other receivables are expected to be recovered within one year. An ageing analysis of the trade receivables is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 3 months	240,039	182,293
3 months to 6 months	5,306	2,149
Over 6 months	–	30
	<b>245,345</b>	<b>184,472</b>

The Group normally grants a credit period of 30 to 90 days to its customers.

## 15 PLEDGED DEPOSITS

Bank deposits have been pledged to banks as security for certain banking facilities.

## 16 CASH AND CASH EQUIVALENTS

	30 June 2008 RMB'000	31 December 2007 RMB'000
Deposits with banks	2,564,921	3,014,608
Cash at bank and in hand	734,769	216,907
	<b>3,299,690</b>	<b>3,231,515</b>

## 17 TRADE AND OTHER PAYABLES

	30 June 2008 RMB'000	31 December 2007 RMB'000
Trade payables	274,426	327,704
Bills payable	–	5,300
Receipts in advance from customers	2,240	23,622
Accrued construction costs	3,989	11,769
Other payables and accruals	161,182	87,319
	<b>441,837</b>	<b>455,714</b>

An ageing analysis of the Group's trade and bills payables is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 3 months	255,365	297,518
3 months to 6 months	7,502	22,424
Over 6 months	11,559	13,062
	<b>274,426</b>	<b>333,004</b>

## 18 SHARE CAPITAL

Authorised and issued share capital of the Company during the period is as follows:

	Par value HK\$	Number of shares '000	Nominal value of ordinary shares HK\$'000
Authorised:			
At 1 January 2008 and 30 June 2008	0.10	5,000,000	500,000

	Par value HK\$	Number of shares '000	Nominal value of ordinary shares HK\$'000	RMB'000
Issued and fully paid:				
At 1 January 2008 and 30 June 2008	0.10	2,490,000	249,000	241,654



## 19 EQUITY SETTLED SHARE-BASED PAYMENTS

### (a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 11 June 2007, the Company adopted a pre-IPO share option scheme ("the Pre-IPO Option") whereby a director and 37 employees of the Company were given the rights to subscribe for shares of the Company. The subscription price per share pursuant to the Pre-IPO Option is a 20% discount to the global offering price.

Under the Pre-IPO Option, 16,000,000 options were fully granted on 12 June 2007, and 350,000 options have been cancelled during the period. As at 30 June 2008, the total number of shares which may be issued upon the exercise of all options outstanding is 15,650,000.

Each option granted under the Pre-IPO Option has a vesting period of one to three years commencing from the Listing Date and the options are exercisable for a period of ten years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

### (b) Share Option Scheme

The Company has adopted a share option scheme ("the Share Option Scheme") pursuant to the written resolution passed on 11 June 2007.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as determined by the Board of Directors of the Company, which must not be more than 10 years from the date of the grant.

No share option has been granted under the Share Option Scheme during the current period.



## 20 RESERVES

### (a) Distributable reserve

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

### (b) Capital reserve

Pursuant to the reorganisation of the Group prior to the listing of the Company on the Main Board of the Stock Exchange, Anta Enterprise Group Limited (“Anta Enterprise”) entered into a deed of assignment with the controlling shareholders of the Company whereby advances from the controlling shareholders to Anda International Investment Limited totalling HK\$144,376,000 (equivalent to RMB141,029,000) were assigned to Anta Enterprise at a consideration of HK\$1.0. This assignment of debt has been reflected as a reduction in the advances from the controlling shareholders and a corresponding increase in the capital reserve during 2007.

### (c) Statutory reserve

Pursuant to applicable PRC regulations, certain PRC subsidiaries are required to appropriate 10% of their profit-after-tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase registered capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

### (d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

### (e) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted.





## 21 TAXATION IN THE CONDENSED CONSOLIDATED BALANCE SHEET

### Current taxation in the condensed consolidated balance sheet

	30 June 2008 RMB'000	31 December 2007 RMB'000
Provision for PRC income tax	27,433	22,858

## 22 COMMITMENTS

### (a) Operating leases

At 30 June 2008, future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within 1 year	13,800	25,001
After 1 year but within 5 years	13,939	75,106
After 5 years	–	56,282
	<b>27,739</b>	156,389

### (b) Capital commitments

At 30 June 2008, capital commitments not provided for in the condensed consolidated financial statements were as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Contracted for	67,843	51,260
Authorised but not contracted for	155,952	316,372
	<b>223,795</b>	367,632

## 23 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2008, in addition to the transactions and balances disclosed elsewhere in the interim financial report, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
福建安大輕工發展有限公司 Fujian Anda Light Industrial Development Co., Ltd.* ("Fujian Light Industrial")	Effectively 30% owned by Mr Ding Shizhong and 40% by Mr Lai Shixian, Executive Directors of the Company.
泉州安大包裝有限公司 Quanzhou Anda Packaging Co., Ltd.* ("Quanzhou Anda")	Effectively 60% owned by Mr Ding Shizhong, an Executive Director of the Company, and 40% by Fujian Light Industrial.
晉江世發輕工有限公司 Jinjiang Shifa Light Industry Co., Ltd.* ("Jinjiang Shifa")	Effectively 10% owned by Mr Ding Shizhong and 10% by Mr Ding Shijia, Executive Directors of the Company, and 60% by Mr Ding Hemu, 10% by Ms Ding Youmian and 10% by Ms Ding Liming, the family members of Mr Ding Shizhong and Mr Ding Shijia.
Anta International Group Holdings Limited ("Anta International")	Effectively 99.7% owned by Mr Ding Shizhong, Mr Ding Shijia, Mr Wang Wenmo and Mr Wu Yonghua, Executive Directors of the Company.
Anda Investments Capital Limited ("Anda Investments")	Effectively 100% owned by Mr Ding Hemu, a family member of Mr Ding Shizhong, an Executive Director of the Company.
Anda Holdings International Limited ("Anda Holdings")	Effectively 100% owned by Ms Ding Yali, a family member of Mr Ding Shizhong, an Executive Director of the Company.

\* The English translation of the company names is for reference only. The official names of these companies are in Chinese.



## 23 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

### (a) Recurring transactions

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Purchases of raw materials		
– Quanzhou Anda	5,594	4,141
Lease of land and properties		
– Fujian Light Industrial	422	351
– Jinjiang Shifa	351	351
– Ding Shizhong	21	11
	794	713

The above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

### (b) Balances with related parties

At the balance sheet dates, the Group had the following balances with related parties:

	30 June	31 December
	2008	2007
	RMB'000	RMB'000
<b>Amounts due from related parties</b>		
Amounts due from controlling shareholders of the Company		
– Mr Ding Shizhong	–	15
– Mr Ding Hemu	–	15
Amounts due from holding companies		
– Anta International	169	179
– Anda Investments	53	56
– Anda Holdings	49	52
	271	317

**23 MATERIAL RELATED PARTY TRANSACTIONS** (Continued)

**(b) Balances with related parties** (Continued)

	30 June 2008 RMB'000	31 December 2007 RMB'000
<b>Amounts due to related parties</b>		
Trade balances due to related parties		
– Quanzhou Anda	1,637	1,244
<b>Amounts due to other related parties</b>		
– Mr Ding Shijia	50	50
– Jinjiang Shifa	351	–
– Fujian Light Industrial	492	70
– Anta Fujian	–	108
	<b>2,530</b>	<b>1,472</b>

(i) The amounts due from/(to) related parties are unsecured, interest free and are expected to be recovered/repaid within one year. There was no provision made against these amounts at 30 June 2008.

**(c) Key management personnel remuneration**

Remuneration for key management personnel of the Group, including amounts paid to the directors are as follows:

	Six months ended 30 June	
	2008 RMB'000	2007 RMB'000
Short-term employee benefits	2,427	3,223
Share-based payment	155	25
	<b>2,582</b>	<b>3,248</b>



## 24 COMPARATIVE FIGURES

Certain comparative figures have been re-classified as a result of the presentation of discontinued operation.

## 25 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 JUNE 2008

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2008 and which have not been adopted in these condensed consolidated interim financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.





# CORPORATE GOVERNANCE AND OTHER INFORMATION

## DISCLOSURE OF INTERESTS

### Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

At 30 June 2008, the directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

#### Long positions in shares of the Company

Name of Directors	Nature of interest	Number of securities	Class of securities	Approximate percentage of interest
Mr. Ding Shizhong	Corporate Interest <sup>(1)</sup>	1,498,500,000	Ordinary	60.2%
Mr. Ding Shijia	Corporate Interest <sup>(2)</sup>	1,498,500,000	Ordinary	60.2%

Notes:

1. Mr. Ding Shizhong is the settlor of a family trust which, through intermediate holding companies, exercise or control the exercise of one third or more voting power at the general meeting of Anta International Group Holdings Limited ("Anta International Group"), which held 1,498,500,000 shares in the Company, and is therefore deemed under the Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO") to be interested in such shares.
2. Mr. Ding Shijia is the settlor of a family trust which, through intermediate holding companies, exercise or control the exercise of one third or more voting power at the general meeting of Anta International Group, which held 1,498,500,000 shares in the Company, and is therefore deemed under the SFO to be interested in such shares.

#### Long positions in share options issued by the Company

Name of Directors	Nature of interest	Number of share options	Exercise price per share	Approximate percentage of interest
Mr. Lai Shixian	Beneficial Owner	5,250,000	HK\$4.22	0.2%

Note:

As at the Latest Practicable Date, Mr. Lai Shixian, an Executive Director, held the share options of the Company granted under a pre IPO share option scheme adopted by the Company.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (Continued)

### Long positions in associated corporations of the Company

Name of Directors	Nature of interest	Associated corporations of the Company	Class of securities	Approximate percentage of interest
Mr. Ding Shizhong	Corporate Interest <sup>(1)</sup>	Anta International Group <sup>(2)</sup>	Ordinary	41.44%
Mr. Ding Shijia	Corporate Interest <sup>(1)</sup>	Anta International Group <sup>(2)</sup>	Ordinary	40.84%
Mr. Wang Wenmo	Corporate Interest <sup>(1)</sup>	Anta International Group <sup>(2)</sup>	Ordinary	11.41%
Mr. Wu Yonghua	Corporate Interest <sup>(1)</sup>	Anta International Group <sup>(2)</sup>	Ordinary	6.01%

Notes:

1. Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Wang Wenmo and Mr. Wu Yonghua are the settlors of their respective family trusts which, through intermediate holding companies, held the shares in Anta International Group and is therefore deemed under the SFO to be interested in such shares.
2. As at the Latest Practicable Date, Anta International Group held 1,498,500,000 shares in the Company, representing approximately 60.2% of the issued share capital of the Company and is therefore an associated corporation of the Company.

Save as disclosed above, at 30 June 2008, none of the directors or chief executives of the Company had or was deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

At no time was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the directors and chief executives of the Company (including their spouse and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporations (within the meaning of Part XV of the SFO).



## Interests and short positions of substantial shareholders

At 30 June 2008, the persons or corporations (not being a director or chief executive of the Company) who have interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name of Shareholders	Nature of Interest	Number and class of securities <sup>(1)</sup>	Approximate percentage of interest in such corporation
HSBC International Trustee Limited	Trustee (other than a bare trustee) <sup>(1)</sup>	1,800,006,000(L)	72.3%
Anta International Group Holdings Limited	Beneficial owner	1,498,500,000(L)	60.2%
Allwealth Assets Limited	Corporation <sup>(2)</sup>	1,498,500,000(L)	60.2%
Shine Well (Far East) Limited	Corporation <sup>(2)</sup>	1,498,500,000(L)	60.2%
Talent Trend Investment Limited	Corporation <sup>(2)</sup>	1,498,500,000(L)	60.2%
Top Bright Assets Limited	Corporation <sup>(2)</sup>	1,498,500,000(L)	60.2%
Anda Holdings International Limited	Beneficial owner	175,500,000(L)	7.0%
Ms. Ding Yali	Founder of a discretionary trust <sup>(3)</sup>	175,500,000(L)	7.0%
	Interest of spouse <sup>(3)</sup>	5,250,000(L)	0.2%
Spring Star Assets Limited	Corporation <sup>(3)</sup>	175,500,000(L)	7.0%
Anda Investments Capital Limited	Beneficial owner	126,000,000(L)	5.1%
Mr. Ding Hemu	Founder of a discretionary trust <sup>(4)</sup>	126,000,000(L)	5.1%
Sackful Gold Limited	Corporation <sup>(4)</sup>	126,000,000(L)	5.1%

## Notes:

(1) HSBC International Trustee Limited ("HSBC International") is the trustees of family trusts which, through intermediate holding companies, exercise or control the exercise of one third or more voting power at the general meetings of Anta International Group, Anda Holdings International Limited ("Anda Holdings") and Anda Investments Capital Limited ("Anda Investments") and is deemed under the SFO to be interested in the shares of the Company held by Anta International Group, Anda Holdings and Anda Investments.

(2) These companies are able to exercise or control the exercise, directly or indirectly, of one third or more voting power at the general meeting of Anta International Group and are therefore deemed under SFO to be interested in shares of the Company held by Anta International Group.

(3) Ms. Ding Yali is the settlor of a family trust which, through its wholly owned holding company Spring Star Assets Limited ("Spring Star"), held the entire issued share capital of Anda Holdings. Accordingly, Ms. Ding Yali and Spring Star are deemed under SFO to be interested in the shares of the Company held by Anda Holdings.

Ms. Ding Yali was deemed under the SFO to be interested in the 5,250,000 shares which may be issued to her spouse, Mr. Lai Shixian, an executive director of the Company, upon exercise of options granted to Mr. Lai under the pre-IPO share option scheme of the Company adopted by the shareholders of the Company on 11 June 2007.

(4) Mr. Ding Hemu is the settlor of a family trust which, through its wholly owned holding company Sackful Gold Limited ("Sackful Gold"), held the entire issued share capital of Anda Investments. Accordingly, Mr. Ding Hemu and Sackful Gold are deemed under the SFO to be interested in the shares of the Company held by Anda Investments.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION** *(Continued)*

Save as disclosed above, at 30 June 2008, the directors of the Company are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

### **CORPORATE GOVERNANCE**

The Company recognises the value and importance of good corporate governance to enhance corporate performance and accountability. The board of directors of the Company (the "Board") continuously observe the principles of good corporate governance and adopt sound corporate governance practices in order to meet the legal and commercial standards, focusing on area such as internal control, fair disclosure and accountability to all shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Corporate Governance Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Corporate Governance Code and any additional measures necessary to ensure a sound corporate governance standard.

The Company has also adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the directors of the Company (the "Directors"). All Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2008.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION** (Continued)

### **Audit Committee**

The Audit Committee of the Company was established on 11 June 2007 and its primary duties are mainly to make recommendation to the Board on the appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting of the Group and oversight of internal control procedures of the Company. At present, the Audit Committee consists of three members, namely Mr. Yeung Chi Tat, Mr. Wong Ying Kuen, Paul and Mr. Lu Hong Te, all of whom are independent non-executive directors. Mr. Yeung is the chairman of the Audit Committee.

The condensed consolidated interim financial report for the six months ended 30 June 2008 of the Group is unaudited but has been reviewed by KPMG, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The unaudited condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2008 have also been reviewed by the Audit Committee.

### **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2008 except for the deviation from provision A.2.1, which stipulates that the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ding Shizhong is the Chairman and Chief Executive Officer of the Company. With Mr. Ding's extensive experience in sportswear consumer market, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises five executive directors and three independent non-executive directors and there has a strong independence element in its composition.

### **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2008.



# GLOSSARY

**ANTA Kids Sportswear Series**

A new series to be launched in Fourth Quarter 2008

**ASP/Average Selling Price**

Sales amount divided by sales quantity

**Average Sales Floor Area**

Practical sales floor area, excluding warehouse, divided by number of outlets

**Board**

The Board of Directors of the Company

**CBA**

Chinese Basketball Association

**CCTV**

China Central Television

**China/PRC**

People's Republic of China

**Company**

ANTA Sports Products Limited

**EBIT**

Earnings before interest and tax

**eHR**

A module of the ERP System

**ERP System**

Enterprise Resources System, a business support system that maintains in a single database for a variety of business functions

**Executive Directors**

Executive Directors of the Company

**Group**

ANTA Sports Products Limited and its subsidiaries

**Hong Kong**

The Hong Kong Special Administrative Region of the PRC

**Hong Kong Dollar, HK\$**

Hong Kong Dollars, the lawful currency of Hong Kong

**Hong Kong Stock Exchange**

The Stock Exchange of Hong Kong Limited

**Independent Non-Executive Directors**

Independent Non-Executive Directors of the Company

**Interim Results**

Results for the six months ended 30 June 2008

**Listing Rules**

The Rules Governing the Listing of Securities on the Stock Exchange

**ODM**

Original Design Manufacturer

**OEM**

Original Equipment Manufacturer

**RMB**

Renminbi, the lawful currency of the PRC

**Share(s)**

Ordinary share(s) of HK\$0.10 each in the share capital of the Company

**Shareholders**

Shareholders of the Company

**Trendy Sneaker Store Series**

A new series to be launched in Fourth Quarter 2008

**Vertically Integrated Business Model**

A model made to integrate and control the key stages of the operation, such as products design, development, manufacturing to sales and marketing



# INVESTORS INFORMATION

## CORPORATE PROFILE

As one of the leading branded sportswear enterprises in China, ANTA Sports Products Limited primarily designs, develops, manufactures and markets sportswear, including sports footwear, apparel and accessory. The Group has established extensive distribution network and nationwide retail outlets in China under the management of the distributors. The Group places great emphasis on branding by integrating the resources from sports leagues' sponsorships, placement of advertisements, interaction with consumers through internet and endorsement of elite athletes with the featured products to enhance product differentiation. Its footwear has been led in China composed index on market shares for seven consecutive years.

## SHARE INFORMATION

Listing Day: 10 July 2007  
Board lot size: 1,000 shares  
Numbers of shares in outstanding: 2,490,000,000 shares  
(As at 30 June 2008)

## STOCK CODES

The Stock Exchange of Hong Kong 2020  
Reuters 2020.HK  
Bloomberg 2020HK

## DIVIDENDS

Final Dividend in 2007 HK8 cents  
Interim Dividend in 2008 HK10 cents

## IR CONTACT

**If you have any inquiries, please contact:**

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IR website: www.ir.anta.com.hk  
Brand website: www.anta.com

## 2008 FINANCIAL CALENDAR

2008 <b>12</b> <b>March</b> 2007 Annual Results Announcement	2008 <b>9 to 12</b> <b>September</b> (Both days inclusive) Book closing date for 2008 interim dividend
2008 <b>21</b> <b>April</b> Annual General Meeting	2008 <b>19</b> or after <b>September</b> Payment date of 2008 interim dividend
2008 <b>25</b> <b>August</b> 2008 Interim Results Announcement	2008 <b>31</b> <b>December</b> Financial year end date

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