
TEAM ANTA
WORLD GAME
ANTA Sports Products Limited
(Incorporated in the Cayman Islands with limited liability)
Stock Code：2020
08
ANNUAL REPORT

CONTENTS

Mission

To integrate the sports spirit of "Going beyond oneself" into everyone's daily life.

Vision

To be the top national sportswear brand in China in terms of both brand desirability and market share and to be the top ten international sportswear brands in terms of global revenue.

Core Values

We firmly believe brand equity to be the basis of our business decision making and the core values to be maintained by ANTA's people.

We never fear the obstacles to change but will apply our innovative ideas to create values for our customers.

We uphold our attitude towards exactitude, meticulousness, substantiality and preciseness' and strive to grow with the sports undertaking.

We believe the principles of integrity and creditworthiness and always show gratitude and fulfill social responsibilities.


DRILLING IS THE
ONLY WAY TO BE THE TOP OF THE WORLD
Jelena Jankovic, ANTA's endorsed tennis player, one of the world's top female singles tennis players


MY
TOUGH BACKBONE
IS MADE OF
CHINA
SPIRIT
Wang Hao, ANTA's endorsed table tennis player, Beijing Olympics 2008 gold medalist of table tennis men's team

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, PRC
Postcode: 362212

ANTA Operations Center
Yiai Road, Siming District
Xiamen, Fujian Province, PRC
Postcode: 361009

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4408, 44/F, COSCO Tower
183 Queen's Road Central, Hong Kong

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

AUDITOR

KPMG, *Certified Public Accountants*

INTERNAL CONTROL REVIEW ADVISER

SHINGWING Risk Services Limited

LEGAL ADVISERS

Coudert Brothers in association with Orrick, Herrington & Sutcliffe LLP

Norton Rose Hong Kong

COMPLIANCE ADVISER

Piper Jaffray Asia Ltd.

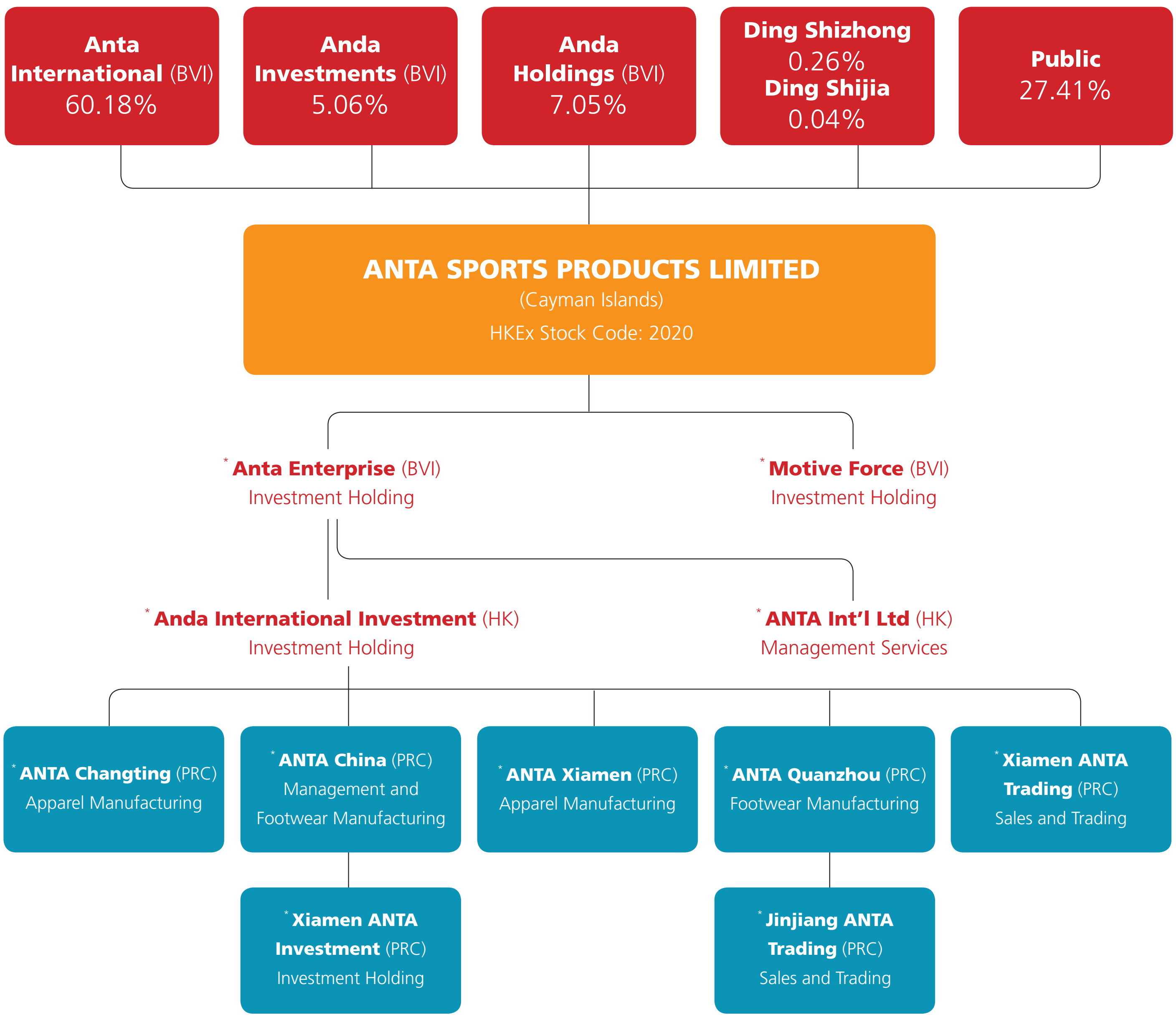
PUBLIC RELATIONS CONSULTANT

Hill & Knowlton Asia Limited

PRINCIPAL BANKERS

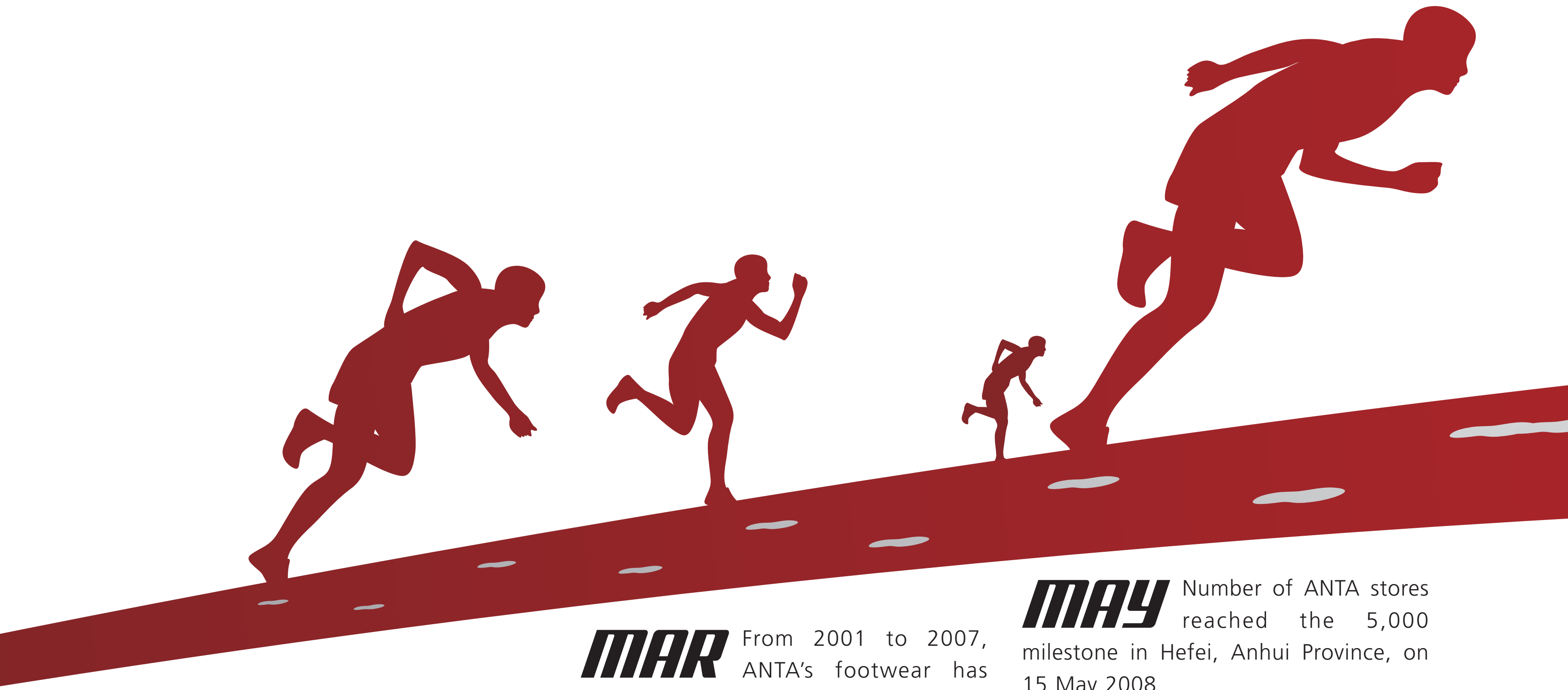
Agricultural Bank of China
Industrial and Commercial Bank of China
Bank of China Limited
Bank of China (Hong Kong) Limited
China Construction Bank Hong Kong Branch
UBS AG

Corporate Structure



* *All subsidiaries are directly or indirectly wholly-owned by ANTA Sports Products Limited*

Highlights of the Year 2008



JAN ANTA Kids Division was set up on 1 January 2008

FEB ANTA's endorsed basketball player, Luis Scola, was selected as a roster for the "Rookie Challenge". He wore the designated ANTA basketball shoes in this game, being the first appearance of ANTA's sports gear under the international spotlight

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

APR Trade Fair of 4Q2008 was held and showcased the latest trendy sneaker series and the endorsed basketball players' designated sportswear series

MAY Number of ANTA stores reached the 5,000 milestone in Hefei, Anhui Province, on 15 May 2008

"CBA ANTA Stars Training Camp" was jointly held by ANTA, the CBA and a team of the international basketball league. 10 potential CBA players were trained by basketball coaches led by Rick Adelman

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

JUL

Celebration of the first anniversary of listing on the Main Board of Hong Kong Stock Exchange

Brand Exhibition Hall was set up at ANTA's headquarters in Jinjiang, Fujian Province, marking the Group's history in building the ANTA brand

Image store was opened at ANTA's headquarters in Jinjiang, Fujian Province, with a total sales floor area of 1,800 sq. m.

AUG

The first trendy sneaker store and the first Kids series store were launched on 9 August 2008 and 27 August 2008 respectively

ANTA's endorsed basketball player, Luis Scola, wore the designated "Scola II Basketball Shoes" during the Beijing Olympics 2008

ANTA's endorsed basketball players, Luis Scola and Steve Francis, gathered with fans in Beijing, Shanghai and Guangzhou, as well as visited ANTA's headquarters in Jinjiang during the "China Tour"

SEP

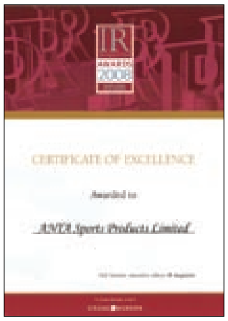
The 9th flagship store was opened in Hefei, Anhui Province, with a total sales floor area of more than 1,000 sq. m.

NOV

Chairman of the Group, Mr. Ding Shizhong, was awarded as the "Ernst & Young Entrepreneur of the Year China 2008"

DEC

The Group was awarded the "Certificate of Excellence" by the IR Magazine after receiving votes from institutional investors and analysts



The Group was awarded "The Most Benevolent Foreign Enterprise – China Charity Award 2008" by the Ministry of Civil Affairs of the PRC

2008 Results Highlights

Profit attributable to shareholders increased to RMB894.8 million by 66.4%

Turnover broke through RMB 4.63 billion representing an increase of approximately 55%

Gross profit margin increased by 6.5% points to 40.0%

In terms of financial performance

- **Turnover** broke through **RMB4.63 billion**, representing an increase of approximately 55%
- **Gross profit margin** increased by **6.5% points** to 40.0%
- **Operating profit** increased by **94.2%** to RMB930.7 million
- **Net profit margin** increased by **1.3% points** to 19.3%
- **Profit attributable to shareholders** increased by **66.4%** to RMB894.8 million
- **Basic earnings per share** has an increase of **42.3%** to RMB35.94 cents
- **Final dividend of HK10 cents** and **special dividend of HK8 cents** per share are proposed, together with an interim dividend of HK10 cents per share, making a payout ratio of 68.6% of the 2008 profit

In terms of operational performance

- **Number of ANTA stores** reached **5,667**, a net increase of 951 ANTA stores
- **Total sales floor area** of ANTA stores increased by **31.7%**, to 571,204 sq.m.
- **Average sales floor area** per ANTA store increased from 92.0 sq.m. to **100.8 sq.m.**
- **Average cost of footwear sold** decreased by **5.8%**
- **ASP growth (wholesale price)**: increased by **6.8%** to RMB94.0 for **footwear**; increased by **6.3%** to RMB57.0 for **apparel**
- **Volume growth**: increased by **46.8%** to 26.8 million pairs for **footwear**; increased by **43.7%** to 33.9 million pieces for **apparel**

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report 2008 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group. These forward-looking statements represent the Group's 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 at 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 the Group's results of operations are described in the sections of "Business Review" and "Financial Review".

Five-Year Financial Summary

	2008	2007 Restated	2006	2005	2004
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Turnover	**4,626,782**	2,988,723	1,250,142	670,349	311,499
Gross profit	**1,848,573**	999,907	313,228	125,871	43,775
Profit/(loss) from operations	**930,659**	479,256	147,280	51,566	(3,941)
Profit attributable to/(loss absorbed by) shareholders	**894,791**	537,793	147,417	48,033	(8,403)
Non-current assets	**592,464**	494,789	265,166	194,311	129,516
Current assets	**4,350,018**	4,135,949	591,189	251,792	167,690
Current liabilities	**461,610**	480,044	618,444	335,019	136,732
Net current assets/(liabilities)	**3,888,408**	3,655,905	(27,255)	(83,227)	30,958
Total assets	**4,942,482**	4,630,738	856,355	446,103	297,206
Total assets less current liabilities	**4,480,872**	4,150,694	237,911	111,084	160,474
Shareholders' equity	**4,480,872**	4,150,694	237,911	111,035	160,474
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Basic earnings/(loss) per share	**35.9**	25.3	8.2	2.7	(0.5)
Diluted earnings per share	**35.8**	25.2	n/a	n/a	n/a
Shareholders' equity per share	**180.0**	166.7	13.2	6.2	8.9
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per ordinary share					
– Interim	**10.0**	–	–	–	–
– Final	**10.0**	8.0	–	–	–
– Special	**8.0**	–	–	–	–
	(in %)	(in %)	(in %)	(in %)	(in %)
Gross profit margin	**40.0**	33.5	25.1	18.8	14.1
Operating profit/(loss) margin	**20.1**	16.0	11.8	7.7	(1.3)
Net profit/(loss) margin	**19.3**	18.0	11.8	7.2	(2.7)
Effective tax rate	**7.3**	10.1	0.4	4.3	(29.2)
Advertising and promotional expenses (as a percentage of turnover)	**13.8**	12.4	8.3	7.0	9.4
Staff costs (as a percentage of turnover)	**7.0**	7.1	6.8	5.1	3.4
R&D cost (as a percentage of cost of sales)	**3.0**	2.5	0.5	0.2	0.0
Return on average total shareholders' equity	**20.7**	24.5	84.5	35.4	n/a
Return on average total assets	**18.7**	19.6	22.6	12.9	n/a
Average total shareholders' equity to average total assets	**90.2**	80.0	26.8	36.5	n/a
Debt to shareholders' equity ratio	**10.3**	11.6	259.9	301.7	85.2
	(in days)	(in days)	(in days)	(in days)	(in days)
Average inventory turnover days	**43**	44	42	29	26
Average trade receivables turnover days	**15**	14	19	26	43
Average trade and bills payables turnover days	**39**	51	61	27	25

Notes:
Please refer to notes on page 55 of the annual report for the definitions of return on average total shareholders' equity, return on average total assets, average inventory turnover days, average trade receivables turnover days and average trade and bills payables turnover days and the reason for restatement of certain comparative figures.

At each year end, debt to shareholders' equity ratio is equal to current liabilities over the shareholders' equity.

Our Headquarters

Xiamen Office

3/F Sports and Science Laboratory

Basketball Court

Tennis Court

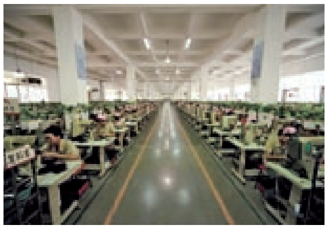
Main Entrance and Podium


9/F Recreation Room

Jinjiang Office

1/F Image Store

2/F Brand Exhibition Hall




Production Facilities and Logistic Center

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of ANTA Sports Products Limited, I am pleased to report the audited annual results of the Group for the year ended 31 December 2008.

RESULTS SUMMARY

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

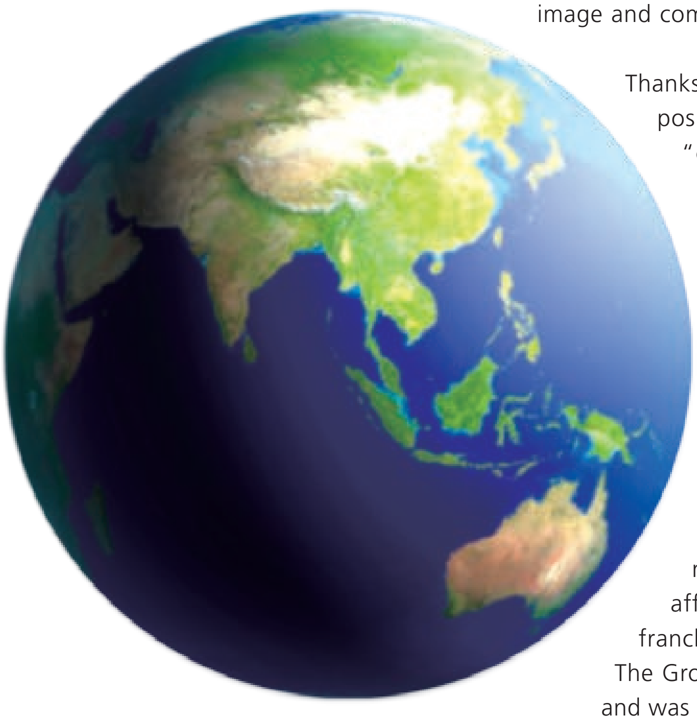
Following the success in 2007, the Group seized the opportunities and achieved a strong growth in 2008. During the year, the Group's turnover reached RMB4.63 billion (2007: RMB2.99 billion), representing an increase of approximately 55%. Profit attributable to shareholders increased to RMB894.8 million (2007: RMB537.8 million), representing an increase of 66.4%. Basic earnings per share for the year were RMB35.9 cents (2007: RMB25.3 cents). Accordingly, the Board proposed to declare a final dividend of HK10 cents per ordinary share and a special dividend of HK8 cents per ordinary share, together with an interim dividend of HK10 cents per ordinary share, making a total payout of 68.6% of the profit for the year.

ACHIEVEMENTS

During the year, the Group has enhanced our product innovation and introduced the "A-Core II" and "A-Cozel II" technology, offering our athletes and consumers a mixture of stylish and performance-based sportswear products. Our endorsed international basketball player, Luis Scola, wore ANTA basketball shoes in the "Rookie Challenge" and the Beijing Olympics 2008, highlighting the professionalism and international recognition of the ANTA brand.

Meanwhile, the Group has placed great emphasis on integrating sponsorship resources to promote our brand image, including sports leagues sponsorship, featured products promotion and athletes endorsement. Through the sponsorships of basketball, table tennis and volleyball leagues as well as elite athletes in China, the Group has strengthened our recognition and credibility of our performance-based products in the market. The Group has also launched several promotional campaigns such as "Fuel Up China", "My Tough Backbone is Made of China Spirit" and "Harder Training Brings Brighter Flame", encouraging people's support for the Chinese national team during Beijing Olympics 2008 and conveying ANTA's brand ideology among the consumers.

Moreover, the Group has established an effective distribution network. The 5,000th ANTA store was opened in May 2008 in Hefei, Anhui Province, marking a significant milestone for the Group in retail network management, and the number of ANTA stores has increased to 5,667 at the end of 2008. The Group has opened a total of 9 flagship stores in the key markets of Shenyang, Wuhan, Shanghai (2 stores), Beijing, Changsha, Chongqing, Xiamen and Hefei in China. The effective distribution network ensures the timely launch of new products and enhances our brand image and competitiveness.



Thanks to those achievements, the Group has a leading position in our market share and has led in the "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 achievements, the Group has made contributions to the society. Soon after the earthquake in Sichuan Province, the PRC, in May 2008, the Group immediately made donations of cash and sportswear to the afflicted areas and encouraged our distributors, franchisees, suppliers and employees to do the same. The Group has participated in various voluntary activities and was awarded "The Most Benevolent Foreign Enterprise – China Charity Award" by the Ministry of Civil Affairs of the PRC.

RECOGNITIONS

I was honored to be recognised as one of "Ernst & Young Entrepreneur of the Year China 2008", as a credit to our excellent performance in business operation. Besides me, the honor also belongs to those people who have contributed to the sportswear industry. We will strive to be one of the leading sportswear companies in the world in the tradition of our "pragmatic and efficient" corporate operation approach. Furthermore, because of our outstanding investor relations service, the Group was also awarded the "Certificate of Excellence" by the IR Magazine after receiving votes from institutional investors and analysts.

On 25 February 2009, the World Economic Forum announced the Young Global Leaders ("YGL") 2009 in Geneva of Switzerland. I am honoured to be nominated as a YGL, recognising the Group's professional accomplishments, commitment to society and potential to contribute to shaping the future of the world.

INDUSTRY OUTLOOK

Looking forward, despite the deepening global economic downturn, China's economy is expected to maintain a stable and relatively fast growth under the proactive fiscal measures and relaxed monetary policy imposed by the PRC Government. The transformation of economic structure is expected to stimulate domestic demand and boost local consumption.

Further, demand for sportswear products will keep growing as a result of greater health awareness and sports participation in the community due to the improving living standards and increasing sporting events promotion. The current per capita spending on sportswear products in China is much lower than those in well-developed countries, which implies rooms for development and expansion.

Riding on the Olympics heat, the market competition has intensified with the emergence of a large number of local sportswear brands. At the same time, the Group expects the China sportswear market to migrate to a stage of consolidation. Consumers will go for sportswear products which offer high quality and professional performance at reasonable prices. Well-developed brands with good recognition, extensive distribution network and strong R&D capabilities will have the advantage amidst market consolidation.

FUTURE STRATEGY

In 2009, the Group will expand our undertaking in tennis which becomes a popular sports in China. In order to promote our professionalism and pave the way for success for our tennis sportswear series, the Group has signed an endorsement contract with one of the world's top female tennis players, Jelena Jankovic, in January 2009, and her designated tennis sportswear products will be introduced to the mass market in China.

The Group also targets to extend strategic partnerships with sports associations, to showcase our sportswear worldwide and helping our brand to go global.

> ***The preceding year was a remarkable year for the Group which has achieved continuous business expansion and strong financial results. In 2009, the Group will face various challenges arising from the global financial crisis and potential economic slowdown. We will strengthen our competitiveness by enhancing brand equity, product portfolio and cost efficiency so as to convert challenges into opportunities.***

In order to meet the market demand, the Group continues to strengthen our competitiveness by diversifying the product range. The Group has introduced Trendy sneaker series and Kids sportswear series to the mass market. These two product series will be further developed to strengthen our market position in China.

The Group continues to embrace the "Keep Moving" spirit by striving to strengthen our branding strategy and R&D capabilities, as well as enhancing the professionalism and desirability of the ANTA brand to create greater value for the Group and our shareholders.

CORDIAL GRATITUDE

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their support and trust, and also to our employees for their contribution. I am confident that we can achieve even greater success together in the coming years.

Ding Shizhong
Chairman

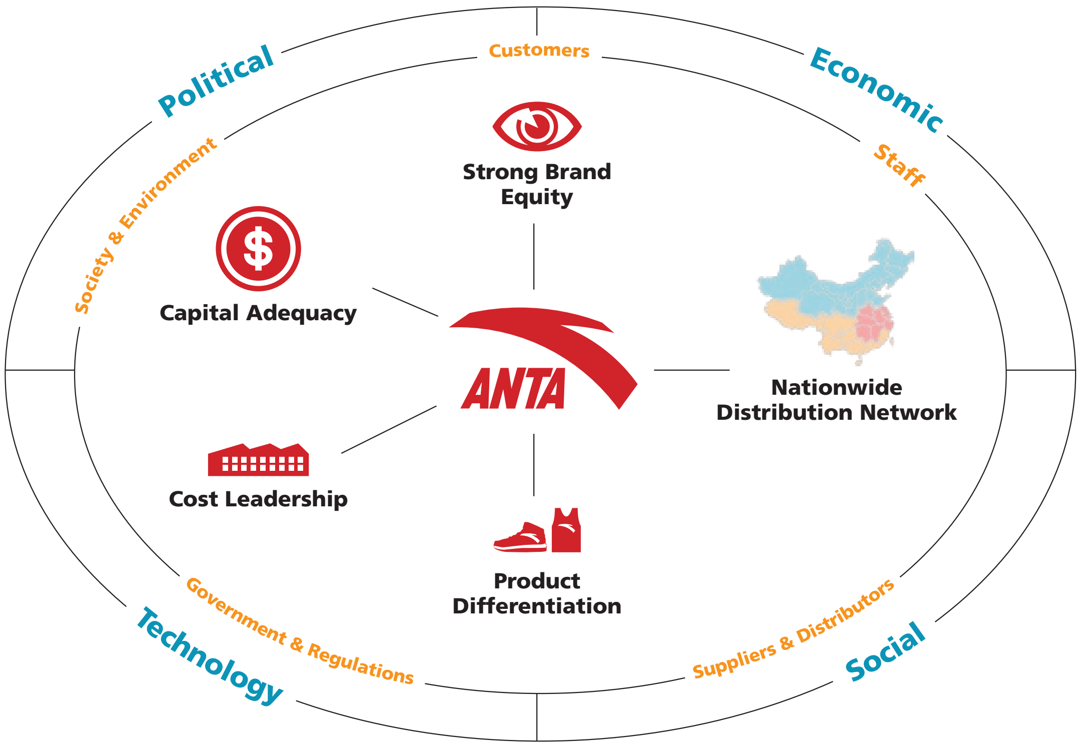
Hong Kong, 2 March 2009


生 活

571,204 SQ.M.

TOTAL SALES FLOOR AREA OF ANTA STORES

Management Discussion and Analysis



EXTERNAL ENVIRONMENT

Political	Economic
• Government's concern of citizens' health • Promotion of sporting activities in schools	• Per capita disposable income growth rate • Degree of urbanisation
Technology	**Social**
• Products' functionality • Performance-based sportswear products • Stylish and trendy sportswear products	• Sports participation rate • Consumers' taste and preference • Individual expenditure on sportswear products

COMPETITIVE ADVANTAGES

Strong Brand Equity	Nationwide Distribution Network
• Diversified sponsorship resources • Brand internationalisation • Nationwide brand recognition & awareness	• Quick response to the market demand • Wide spread of our network • Effective management of distributors
Product Differentiation	**Cost Leadership**
• A wide range of product mix and lines • Qualify for setting national quality standards • Strong alliance with designers and R&D institutes	• Enjoy economies of scale • Highly efficient supply chain management • Offer value-for-money products
Capital Adequacy	**Corporate Social Responsibility**
• Sufficient funding for future business development • No bank or other borrowings	• Corporate citizenship and public relations • Close communication with investors

MARKET REVIEW

2008 has been a year of challenges and opportunities for the country. China has come across domestic natural disasters, including the snowstorm in January and Sichuan earthquake in May, in addition to the global financial crisis in the second half of 2008. At the same time, Beijing Olympics 2008 had boosted the public's awareness of and interest in sporting events. The country's economy has been affected due to a decline in foreign trade as a result of the economic recession in the European and US economy. In an effort to ensure a "stable and relatively fast" economic growth in 2009, the PRC Government has adopted an array of macro-control policies.

Marco-economics in China

According to the data from the National Bureau of Statistics of China, the national economy has sustained a stable growth in 2008 under the leadership of the country's policymakers. The year-on-year GDP growth rate has decreased to a single-digit due to the drop in foreign trade and fixed-asset investments. Looking ahead, domestic demand will become a crucial factor of maintaining sound economic growth next year.

	Item	Data	Percentage change in 2008 (year-on-year)
Macro-economic	Gross Domestic Products	RMB30,067.0 billion	↑ 9.0%
	Exports	US$1,428.5 billion	↑ 17.2%
	Imports	US$1,131.1 billion	↑ 18.5%
	Total investment in fixed assets of the country	RMB17,229.1 billion	↑ 25.5%
Employment	Registered urban jobless rate	4.2%	↑ 0.2% points
Income and Residents' Livelihood	Per capita annual disposable income of urban residents	RMB15,781	↑ 14.5% (After inflationary adjustment ↑ 8.4%)
	Per capita annual cash income of rural residents	RMB4,761	↑ 15.0% (After inflationary adjustment ↑ 8.0%)
Domestic Trades	National retail sales of consumer goods	RMB10,848.8 billion	↑ 21.6%
	Retail sales in urban areas	RMB7,373.5 billion	↑ 22.1%
	Clothing sector (including sports footwear and apparel)	–	↑ 25.9%
Inflation	Consumer Price Index	105.9 (2007=100)	↑ 1.1% points
	Production Price Index	106.9 (2007=100)	↑ 3.8% points

Source: National Bureau of Statistics of China (At 31 December 2008)

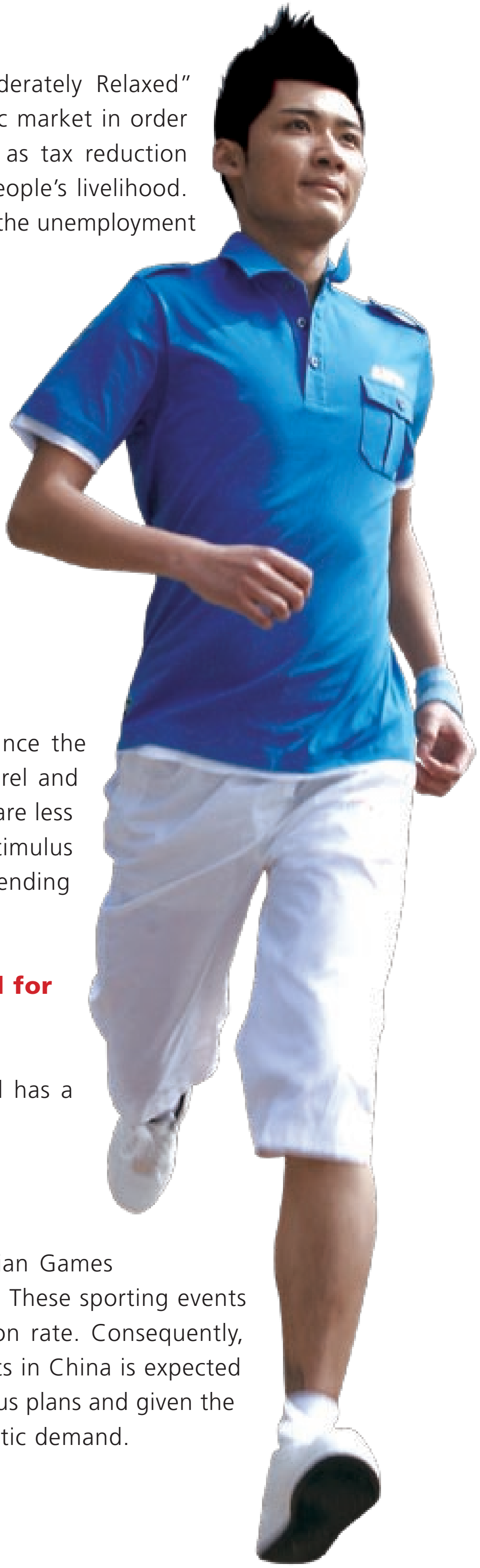
Because of the global financial tsunami and the resulting fall in overseas markets demand, some factories in China engaging in the exports industry were shut down and the job market shrunk. Per capita disposable income growth is expected to slow down as the profitability of enterprises is weakened and growth of the consumption level is also expected to slow down.

China's economy keeps a stable and relatively fast growth

ANTA's image store in Jinjiang Headquarters

Precautionary Fiscal Measures and Effective Monetary Policy

The country's leadership has adopted "Proactive" fiscal policy and "Moderately Relaxed" monetary policy to manage the impact of global financial crisis on domestic market in order to maintain healthy economic growth and social stability. Measures such as tax reduction and increase in government spending have been taken to safeguard the people's livelihood. Moreover, policymakers are striving to create more jobs in an effort to reduce the unemployment rate and to support to the development of domestic market.



Economic Restructuring and Domestic Demand Stimulation

The PRC Government has introduced measures to stimulate domestic demand and minimise the impact of the crisis. The PRC Government has announced trillions RMB stimulus packages and slashed the interest rate 4 times since September 2008. Consumption will be actively boosted by increasing government spending on rural development, infrastructure, education, healthcare, social services, environmental protection and technological innovation.

Domestic Trades and Inflation

The growth of national retail sales of consumer goods have diminished since the second half of 2008. However, the retail sales of necessity, including apparel and footwear, maintain a stable and sustainable growth because such demands are less elastic to the fluctuation of income level. It is also believed that economic stimulus measures may uphold residents' living standard and strengthen their spending power.

Promotion through Sporting Events and Drives Higher Demand for Sportswear

Despite the deepening global financial crisis, China sportswear market still has a great potential for further expansion.

1. *Performance-based Sportswear Market*

After the Beijing Olympics 2008, the East Asian Games 2009, the Asian Games 2010 and the University Games 2011 will be continually held in China. These sporting events will further enhance people's health awareness and sports participation rate. Consequently, individual expenditure on recreational activities and sportswear products in China is expected to increase as the purchasing power expands under the economic stimulus plans and given the policy measures adopted by the country's policymakers to boost domestic demand.

2. Children Sportswear Market

For further economic development, the PRC Government is paying close attention to the health of its people so as to reduce its medical spending. Therefore, under the direction of the country's top leadership, schools are encouraging students to participate more in sporting activities. Furthermore, parents in China generally look for protective and comfortable sportswear products for their children. 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. We believe that the children sportswear market demands value-for-money sportswear products that offer performance, functional protection and stylish-design.

3. Trendy Sportswear Market

Improved living standard and consumption pattern of Chinese consumers had driven a higher demand for lifestyle, trendy and leisure sportswear products. Consumers demand fashionable and stylish sportswear that best reflects their personal characters.

Market Strategy and Integration

Under the PRC Government's economic restructuring and stimulus plans, the purchasing power of consumers is expected to strengthen as their allowance and subsidies are expected to increase. Social welfare such as education, health care, housing, and so forth will be provided to boost consumption.

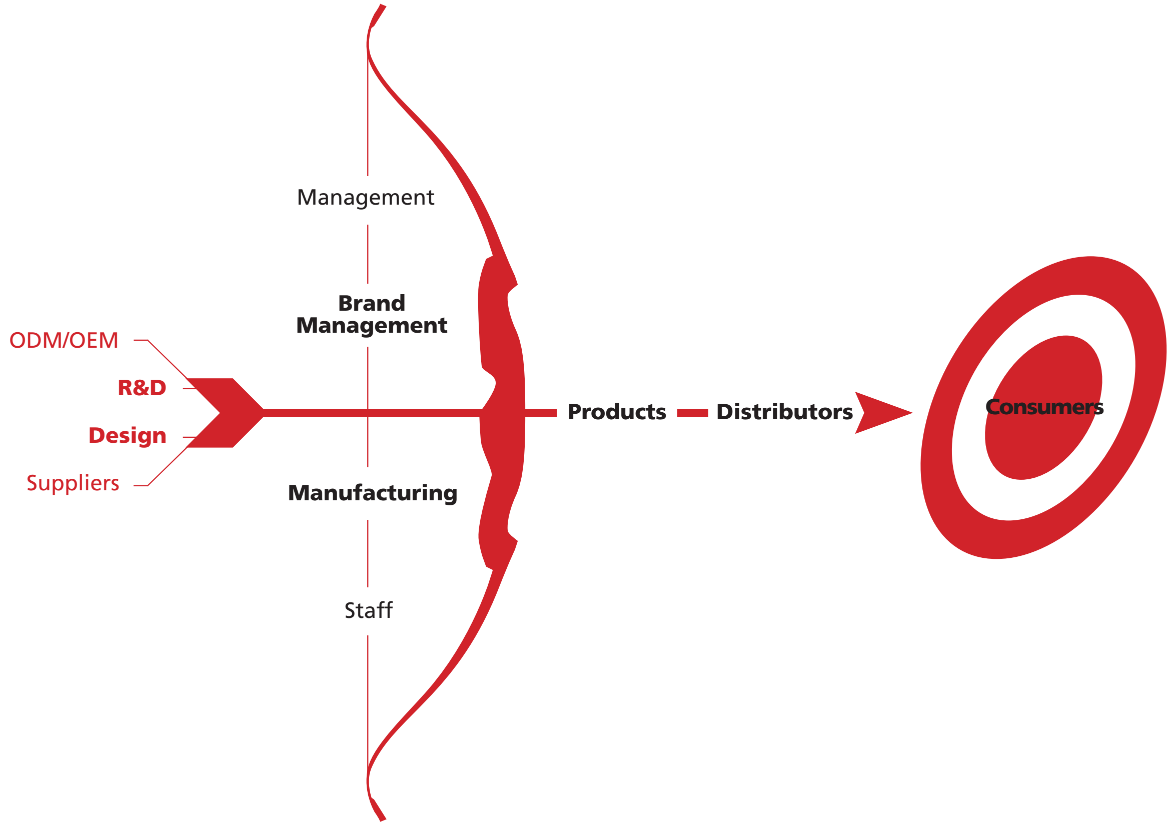
Many small local sportswear brands tried to capture the potential in the sportswear market. However, the Group expects market consolidation will take place in China. As a result, professional sportswear brands with good recognition, well-developed distribution network and strong R&D capabilities are expected to take more market shares in the future.

ANTA stores are opened in key markets with high population density and strong purchasing power

BUSINESS REVIEW

Vertically Integrated Business Model

The Group has innovative R&D and design capabilities, extensive experience in brand management and distribution management, and self-production capabilities that enable us to control the key stages of our operation from products design, R&D, 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 brand-building by integrating the promotional resources from sports leagues sponsorships, advertisements, interaction with consumers through internet and endorsement of elite athletes with the promotion of featured products to enhance product differentiation. During the year, expenditure incurred on advertisement and promotion, represented 13.8% of the turnover (including reimbursement on renovation costs and grant of display equipment, see the section titled "Nationwide Distribution Network" for details), compared to 12.4% in 2007.

1. Integrated Sponsorship Resources

- *Sponsorships on basketball activities*

  – Endorsed international basketball players

  The Group collaborates with Bill Peterson, an US renowned-sportswear technological designer, to introduce designated basketball shoes series for Luis Scola and Steve Francis. The two endorsed players have been wearing ANTA gears in competitions and trainings, which evidenced that the advance technology and quality of ANTA products has reached the standard and expectation of top-class competition in the world. Luis Scola also wore ANTA basketball shoes in the "Rookie Challenge" and during the Beijing Olympics 2008, which highlight the quality of ANTA products as well as further enhance the international recognition of the ANTA brand.

  – CBA

  The Group has been the sole sponsor of equipment and gear for CBA since 2004. Our logo has been widely placed in the indoor signage of these teams' home courts. The sports channel of CCTV provides continuous live and rebroadcast of regular and playoff games nationwide, which increases the media exposure and brand awareness of our products. Moreover, the Group has tailor-made equipment and gear, such as jerseys and basketball shoes, for all players that highlight the professional image of ANTA products. The Group also sponsors Tang Zhengdong and other potential CBA players.

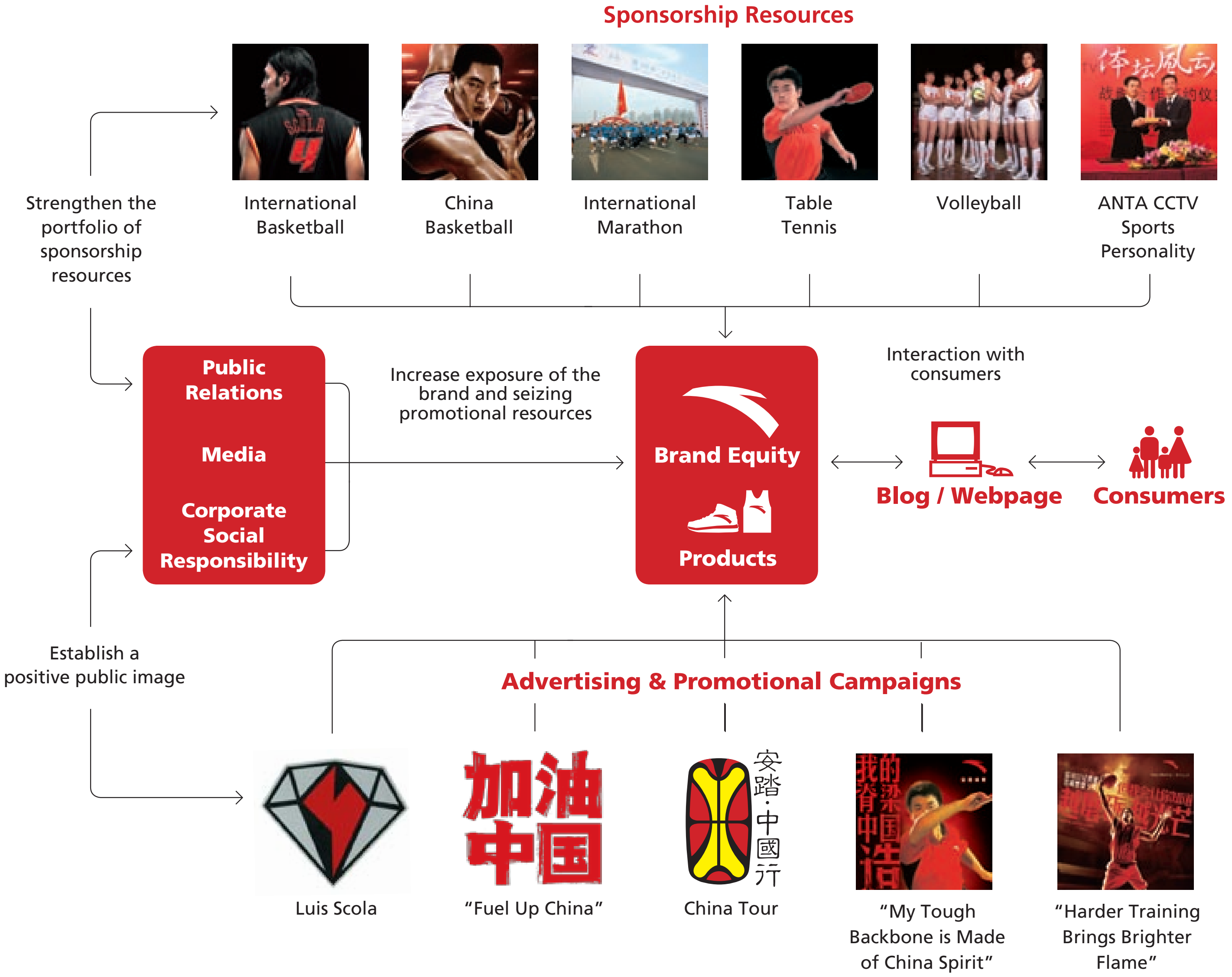
  As a long-term partner of CBA, the Group has provided technical support and launched promotional campaigns, to facilitate the development of CBA. In May 2008, the Group and CBA jointly held "CBA ANTA Stars Training Camp". 10 potential CBA players were trained by basketball coaches led by Rick Adelman in Houston, USA. Meanwhile, the Group also launched a website (http://www.anta.com/09cba/) to interact with basketball fans and to spread CBA spirit.

- *Sponsorships on marathon activities*

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. This year, Dailan International Marathon attracted a record number of runners, with 8,692 participants coming from 37 countries and 29 provinces in China. The Group associated this event sponsorship with the launch of our "Hydrogen running shoes".

upper: Luis Scola made his debut in China with ANTA's gear
lower: Luis Scola wore "Scola II basketball shoes" during the Beijing Olympics 2008

Strategic Brand Management Model



- *Sponsorships on table tennis activities*

  The Group has been the sole equipment and gear sponsor of the "China Table Tennis Super League" since 2005. In 2008-2009 Seasons, 19 teams including Beijing Olympics 2008 gold medalists participated in the league. The Group has also sponsored Wang Hao, a core member in the Chinese national table tennis team.

- *Sponsorships on volleyball activities*

  Since 2004, the Group has sponsored the "Men / Women's National Volleyball Leagues". In 2007, the Group became the title sponsor of the "ANTA National Volleyball League", the "ANTA National Volleyball Grand Prize Cup" and the "ANTA National Volleyball Championship Cup".

THE DAYS I WALKED ALONG WITH ANTA IN 2008

My China Tour Diary (Luis Scola)

Day 1 - Beijing

27 August 2008, the China Tour began and the first station is Beijing. I participated in a friendly basketball match with the Chinese basketball journalists, hosts and commentators. Their performance was excellent and all of us enjoyed the game so much. Moreover, I was interviewed by the well-known online media Sohu.com.

Day 2 - Guangzhou

28 August 2008, Steve Francis and I joined together in Guangzhou and showed up at a TV program hosted by Guangdong TV Sports Channel.

At night, we arrived at Guangzhou Zhengjia Square and introduced our new series of basketball shoes. We also played "2 on 2" matches with enthusiastic fans. They were friendly and atmosphere was so exciting and cheerful.

Finally, we visited an ANTA store in Guangzhou after the fans gathering.

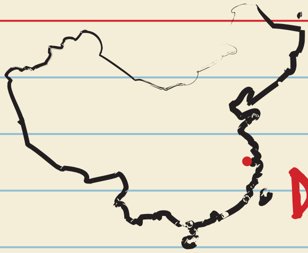
My China Tour Diary (Luis Scola)

Day 3 – Jinjiang

29 August 2008, Steve Francis and I left Guangzhou and travelled to Jinjiang, where the ANTA's headquarters is located. We were guided by the Chairman, Mr. Ding Shizhong, and visited the sports and science laboratory, production facilities and image store.

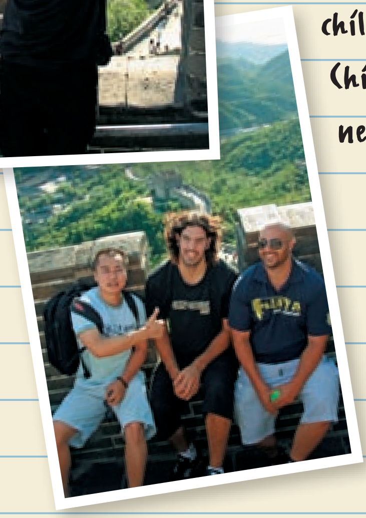
Mr. Ding Shizhong explained the application of technology and raw materials in the production of shoe soles.

When we visited the trendy sneaker series corner at the image store, I was impressed by the "Counterattack Series" shoes.



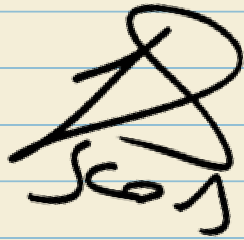
Day 4 - Shanghai

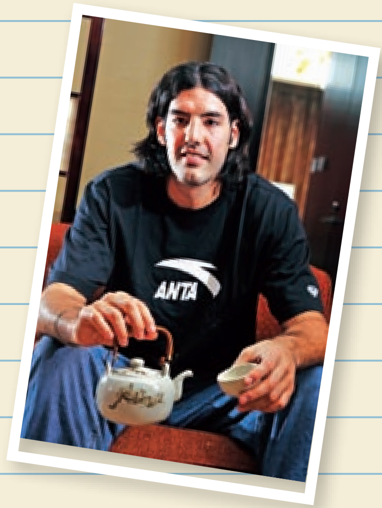
30 August 2008, we continued our journey in Shanghai. We were glad to be interviewed by the famous basketball commentator, Mr. Yu Jia.



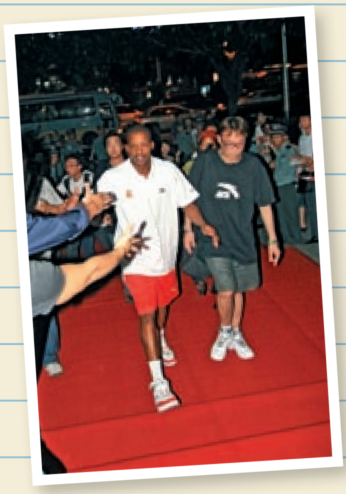
Day 5 - Beijing

31 August 2008, we finally returned to Beijing and visited the Great Wall. I was very excited since it was my dream in my childhood and the dream really came true. The China Tour was a valuable memory that I will never forget. I miss my fans in China!





My China Tour Diary (Steve Francis)



27 to 31 August 2008, I participated in the China Tour with Luis Scola. We have been to Guangzhou to play "2 on 2" matches with fans and also attended the interviews conducted by both broadcasting and online media. The most impressive and interesting activity was visiting the production facilities and laboratory at ANTA's headquarters, where my basketball shoes were designed there.

I examined and tested my designated basketball shoes sample thoroughly.

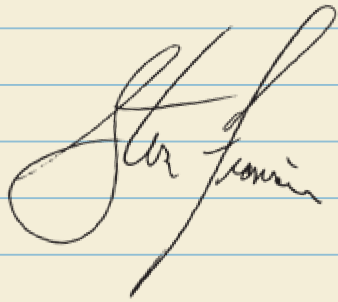
I was learning how to package a pair of shoes into a shoe box.

At the end, I completed the process of package by just 10 seconds.

ANTA's technicians measured my foot size and shape in order to tailor-make a pair of fit-size basketball shoes for me.

I dribbled on the "3D Force Measure Platform" for body movement analysis.

I jogged on the plastic running track and the stress born by my feet was shown on the computer screen immediately.



CBA ANTA Training Camp Review by Rick Adelman

28 May 2008

Mr. Ding Shizhong and Mr. Wang Bo hosted the launching ceremony at the press conference held in Beijing.

Day 1

The potential Chinese players arrived at Houston and we prepared a welcoming lunch for them. After having the meal, they visited our fitness room and gymnastic facilities.

Day 2

I demonstrated the 1 on 1 technique of defence and offence and instructed them the teamwork and basketball tactics.

Day 3

In order to strengthen their morale and endurance, I devised a fitness training program for them.

Day 4

Their skill and technique has been improved after the intensive training.

Day 5 - Day 8

I organized 4 challenge games for them by playing with international basketball players. The first 3 games were lost because they were nervous and unfamiliar with new tactics. Finally, they adjusted quickly and won the last one with stable performance and confidence.

ANTA CCTV SPORTS PERSONALITY

Olympic, Breakthrough, Responsibility, Honor

Schedule of the event

Opening Ceremony
14 November 2008 (Beijing)

Broadcasting of Candidates Promotional Videos
November 2008 to January 2009

Announcement of the Rosters of Candidates and Election of Nomination Awards
1 January 2009 (Beijing)

Nomination Awards Announcement Ceremony
9 January 2009 (Chengdu)

Voting for the Finalists Ceremony
21 February 2009 Afternoon (Beijing)

Award Gala
21 February 2009 Evening (Beijing)


CCTV


第5频道
11


We’ve prepared!
ANTA

ANTA owns various sponsorship resources and is praised as "the engine for the professional sports leagues in China" by the media.

We "Keep Moving" in the Dalian International Marathon under the ANTA leadership


相聚大连　共迎奥运
盲人
Blind
341
领跑
Volunteer
牵手国寿　共迎奥运
1538
1145

Consumers' sports enthusiasm was boosted by the Promotional TVC during the Beijing Olympics 2008.

- *ANTA CCTV Sports Personality Event*

  The Group has been the title sponsor of "ANTA CCTV Sports Personality" event since 2006. The event receives great recognition in the sporting industry, which is generally known as "Sports Oscar in China", to accredit the national sportsmen and athletes with outstanding contribution in the preceding year. "Feeling the Power of Glory" is the slogan of this year's event, which highlights four themes: "Olympics, Breakthrough, Responsibility and Glory". Beijing Olympics 2008 Champions Zhang Ling (Women's Single Badminton), Zou Kai (Men's Gymnastics Team / Horizontal Bar / Floor Exercise), Zhang Juanjuan (Women's Archery), Hou Bin (Paralympics Cauldron Lighter) and Dong Fuli (Paralympics Tennis) were appointed as the ambassadors to promote the sportsmanship in China. After 3 months of selection, nomination and assessment, the award presentation ceremony was held successfully on 21 February 2009.

2. *Multi-dimensional Advertising Exposure*

The Group launched ten TV commercials to promote the brand ideology and featured products, with highlights of the product differentiation through various channels of media (in-store posters, product displays, print advertisements, outdoor billboards and the brand website).

- *Olympic promotional campaigns*

  During the Olympic year in 2008, the Group has launched campaigns namely, "Fuel Up China" and "My Tough Backbone Made of China Spirit". These have encouraged public to express their sincere blessings to the athletes of Chinese national teams. Also, the Group created a website called "Fuel Up China" (http://www.anta.com/gochina/index.html) to interact with consumers and to spread Olympic spirit. It enables consumers to gain access to the latest news on the Olympics and Chinese national teams.

- *Promotional campaign for endorsed players*

  To reinforce the interaction between our endorsed international basketball players and the Chinese consumers, the Group launched "China Tour" in August 2008. Luis Scola and Steve Francis visited Beijing, Guangzhou, Shanghai and Jinjiang in China. Scola and Francis promoted their designated basketball shoes series and played "2 on 2" matches with fans. The two players also visited the R&D centre and the Sports Science Laboratory in our Jinjiang headquarters, witnessing the solid R&D capabilities and the technological value of ANTA products. The campaign gained massive attention from the public and media, and reinforced our professional image in ANTA's basketball shoes series (more information on pages 28 to 33 titled "My China Tour Diary"). During the year, the Group introduced "Harder Training Brings Brighter Flame" marketing campaign to promote "Scola" basketball shoes series. It strengthened our international recognition when Luis Scola wore these shoes in the world's top-tier sporting events.

2008 安踏 CCTV 体坛風雲人物
ANTA CCTV SPORTS PERSONALITY OF THE YEAR

upper: The Group devotes in promoting sports development and nurturing talent athletes
lower: "ANTA CCTV Sports Personality" is termed as "Sports Oscar in China"

3. *Interaction with Consumers*

- *Interactive promotional campaigns*

  The Group has set up blogs and forums for Luis Scola and Steve Francis to enhance communication between basketball fans and our endorsed players. The Group also launched "You can design Scola's shoes" program to promote Scola basketball shoes series, "Christmas Surprise" and "Valentine Blessing" campaigns to boost consumption. Consumers and fans can express their opinions and discuss in the "CBA Stars Training Camp Message Board". The Group also organised fans gathering with athletes to enhance public awareness of national sports leagues. Moreover, the Group created a website with energetic and trendy look to promote our trendy sneaker series (http://www.anta.com/anta_fashionstars/).

Nationwide Distribution Network

1. ANTA Brand in China's market

The Group continues to maintain the leading presence in the second and third tier cities whilst expanding the retail network in China. The Group dedicates to optimise the ANTA stores and encourages distributors to open larger stores at prime locations. The 5,000th ANTA store was opened in May 2008 in Hefei, Anhui Province, which marked a significant milestone of our retail network expansion. The effective distribution network enables the Group to timely launch new products into the market.

China sportswear market is developing and has great potential for further expansion. To fulfill the needs of different market segments, we have launched trendy sneaker series and Kids sportswear series in Third Quarter and Fourth Quarter of 2008 respectively on top of our existing performance-based sportswear products.

- *Extensive Retail Network*

  – ANTA Brand

During the year, 1,567 ANTA stores were set up, 787 ANTA stores were refurbished and 616 ANTA stores with smaller size were consolidated, representing a net increase of 951 ANTA stores. The Group endeavours to expand the sales floor area in ANTA stores. The total sales floor area has increased from 433,843 sq.m. at the end of 2007 to 571,204 sq.m. at the end of 2008. The average sales floor area has increased from 92.0 sq.m. at the end of 2007 to 100.8 sq.m. at the end of 2008.

At 31 December 2008, the Group managed 47 distributors (2007: 39) and 5,667 ANTA stores (2007: 4,716). The number of ANTA stores owned by the distributors increased from 1,424 (or 30% to the total ANTA stores) at the end of 2007 to 1,841 (or 32% to the total ANTA stores) at the end of 2008.

upper: The fifth generation ANTA store image
lower: The salespersons are well-trained to provide thoughtful customer services

Nationwide Distribution and Retail Network at 31 December 2008

Location - North	ANTA Stores	ANTA Kids Series Stores	ANTA Trendy Sneaker Stores
Liaoning	247	5	1
Hebei	237	-	1
Shangdong	231	-	-
Heilongjiang	151	3	2
Jilin	135	2	1
Beijing	132	-	-
Shaanxi	113	-	4
Shanxi	97	4	-
Tianjin	64	-	1
Inner Mongolia	62	-	1
Gansu	26	-	-
Xinjiang	19	-	-
Ningxia	6	-	-
Qinghai	4	-	-

Location - East	ANTA Stores	ANTA Kids Series Stores	ANTA Trendy Sneaker Stores
Jiangsu	574	-	2
Zhejiang	508	4	3
Hubei	275	-	1
Hunan	250	3	2
Anhui	226	2	1
Henan	214	8	1
Shanghai	194	-	-
Jiangxi	119	-	-

Location - South	ANTA Stores	ANTA Kids Series Stores	ANTA Trendy Sneaker Stores
Guangdong	693	14	6
Sichuan	302	10	2
Fujian	254	23	3
Guangxi	193	-	-
Chongqing	124	3	1
Yunan	109	-	-
Guizhou	64	-	-
Hainan	42	-	-
Tibet	2	-	-

Location of ANTA Flagship Stores:
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
Jianghan Road, Hankou District, Wuhan
Huangxing Road South, Passageway, Changsha
Passageway East, Huaihe Road, Hefei

Flagship Stores:

The following table sets out the development of distribution network for ANTA's brand (excluding Kids sportswear/Trendy sneaker series) by geographical location:

	Number of ANTA Stores				
	31 December 2007	Expanded	Consolidated	**31 December 2008**	Refurbished
Eastern region	1,968	666	274	**2,360**	357
Southern region	1,489	422	128	**1,783**	235
Northern region	1,259	479	214	**1,524**	195
	4,716	1,567	616	**5,667**	787

– Kids sportswear series

The Group introduced Kids sportswear series in August 2008. The Kids' sports footwear, apparel and accessories were designed with a combination of functionality, style and simple cutting, targeting children of age between 9 to 14. At 31 December 2008, 81 Kids series stores were set up in core markets by distributors. Half of the stores were on street-level. The Kids' series stores used orange as the theme color which shows a vivid image.

– Trendy sneaker series

In view of the strong demand in trendy sportswear products, the Group launched Trendy sneaker series in the Fourth Quarter of 2008. The series emphasised strong fashion sense and the use of lively colours, aiming to attract consumers at the age between 15 to 28, usually teenagers and working class who demand comfortable and stylish sneakers. At 31 December 2008, 33 Trendy sneaker stores were set up in core markets by distributors. Some of the Trendy sneaker stores were transformed from existing smaller size ANTA stores. Trendy sneaker stores used black as the theme colour.

upper: Trendy sneaker store
lower: Kids series store

- *Improvement of Store Image*

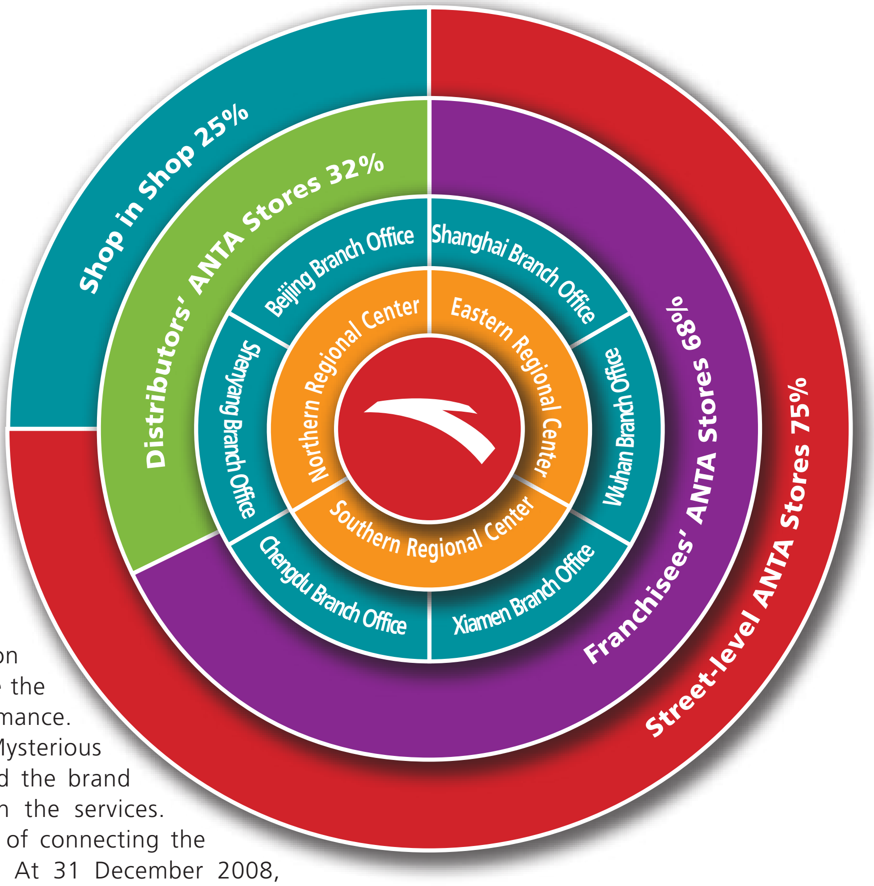
In order to further improve the brand awareness and the store image, the Group's distributors have opened ANTA flagship stores in key markets and densely populated areas. Good image of flagship stores enhances ANTA brand's desirability, which can drive sales in other ANTA stores. During the year, nine flagship stores were opened in the major cities in China (see the graph titled "Nationwide Distribution Network" on page 45). The Group organised "Display Management Competition" to encourage distributors and retailers to improve their knowledge in store display proactively. In addition, the Group has endeavoured to promote the fifth generation ANTA stores of better layout and product display setting to enhance the brand image. At 31 December 2008, 3,024 ANTA stores (2007: 1,082) have been renovated into the fifth generation ANTA stores.

- *Effective Management of Distributors and Franchisees*

The Group strengthens the management of distributors and ANTA stores by setting up three regional centers and six branch offices. With over 200 experienced staff in the Group and the management teams of the distributors, the Group has formed a platform to monitor the extensive distribution and retail network. The "Distributors Management Guidelines" were issued to standardise the operational procedures, customer service requirements 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 ANTA stores owned by the distributors to ANTA stores owned by the franchisees and the ratio of larger ANTA stores versus total ANTA stores under their management. Meanwhile, the Group has strictly examined the location, sales floor area and annual sales target of those new ANTA stores opened by distributors. The ANTA stores should also be decorated in accordance with the brand image and display standards stipulated by the Group.

ANTA's Distribution Network and Structure

47 Distributors and 43% of ANTA stores POS linked up with our ERP



The Group has strengthened the supervision over distributors and POS, aiming to improve the quality of customer services and sales performance. In addition, the Group introduced four "Mysterious Shoppers" assessments, 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. At 31 December 2008, around 43% of ANTA stores' POS system are linked up with our ERP. This enables the Group to promptly analyse sales and product performance and provide feedback for better decision-making and inventory management among distributors as well as better supervision over the POS.

2. *ANTA Brand in Overseas Market*

The Group has strategically increased our penetration in the international market. The Group's overseas distributors have opened ANTA stores and concessionary counters in Southeast Asia, Eastern Europe and Middle East. The Group has also launched TV commercials, placed outdoor billboards and 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 of selling international branded sportswear products. Recent development shows that the distribution network 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 of 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 R&D capabilities while exploring the feasibility of introducing international sportswear brand management business to create higher value for the Group.

Trade Fair and Ordering Procedures

1\.
Distributors arrived at the entrance of trade fair

2\.
Distributors attended the lectures to understand the market trend and preview the new products

3\.
Models showed the cut and style of well-matched new products

4.

Distributors examined and selected the new products they would order

5.

Distributors ordered at the computer centre with the ordering system provided

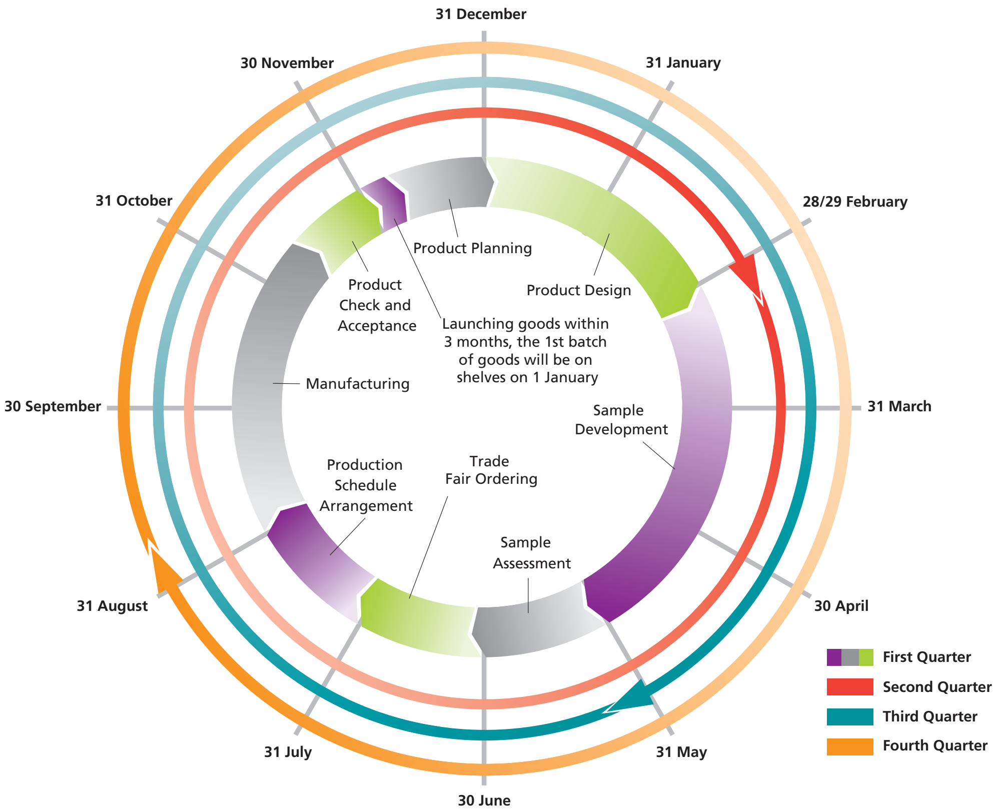
6.

Contracts signed

Product Differentiation and Supply Chain Management

The Group has dedicated to improve our capabilities of R&D, design and quality control to maintain our core competitiveness and reinforce our product differentiation. During the year, the R&D expenditure increased from 2.5% in 2007 to 3.0% (as a percentage of cost of sales).

Cycle of product design, production and delivery



1. *Technological R&D*

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

Technological R&D Projects	Content
"A-Cozel II" technology	Upgrade "A-Cozel" to "A-Cozel II", with improved comfortableness and shock-resistant capabilities on shoe sole. The shape memory function of sole improves the durability and resists the products to be out of shape easily. "A-Cozel" has been applied to the "Hydrogen Running Shoes", the CBA designated shoes and other basketball shoes.
Technological R&D for shoe sole	Improve weight, shock-resistant capabilities and stability for shoe sole.
Research project on children feet size	Analyse the shape of children's feet in China. The Group develops various types of shoe moulds and pads based on the research results to enhance protection of kids sportswear.
Database for professional athletes' feet size	Analyse the correlation between foot size of professional athletes, foot base stability towards stress, physical characteristics and the injury conditions for national marathon athletes and table-tennis, volleyball and tennis players.
The "scientific functions of apparel" and the "ergonomic 3-dimensional cutting technology"	Enhance the comfort and fitness capabilities of apparel products.
Research project on female professional athletes	Analyse the characteristics of female athletes and find out their needs towards sportswear.

2. *Product Design*

Apart from our local and international design teams in our headquarters in Fujian and Beijing, the Group collaborates 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 basketball players. The Group has introduced more than 2,200 new footwear styles, 2,500 new apparel styles and 2,000 new accessory styles during the year 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 finished products to ensure compliance with the national quality standard.

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 obtained the "ISO 9001:2000 Quality Control Certification". The Group was elected as the Deputy Minister of "Technical Committee of Standardised National Sportswear" and had actively participated in formulating the quality standards, assisted in enhancing the China's footwear industry into an international level and advancing the technological development of the whole industry.

Significant measures of quality control for the year:

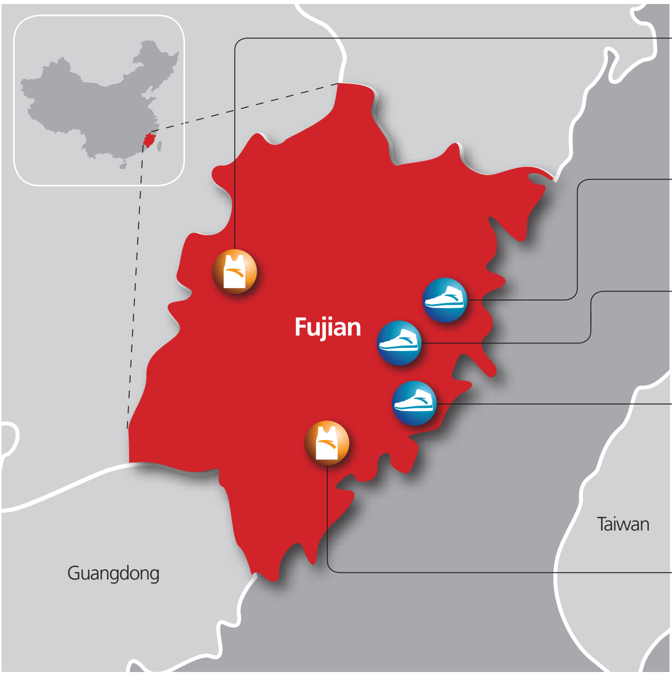
Quality Control Measures	Content
Shoe torsion resistance and flexibility measurement	Test the bending and anti-torsion ability of the footwear's forepart to maximise the comfortableness and prevent injuries during sports.
Footwear comfort test	Test the permeability and comfort of the shoe through simulating a real temperature and humidity situation with an imitation of sweating foot.
Fatigue and low temperature test	Test the fatigue resistance and durability through simulating by imposing a real human pressure situation on shoe sole. The low temperature testing machine examines the mechanical properties of footwear under low temperature.
Apparel color and formaldehyde test	Test the durability and safety of sports apparel under different situations and temperature.

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 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 proactively improve performance and quality. The Group had also introduced suppliers with design capabilities and increased the proportion of ODM in order to reinforce the Group's competitive advantages.

5. Production Capabilities

As the demand for ANTA products increases, the Group strategically expanded our production scale. The number of footwear production lines increased from 15 at the end of 2007 to 23 (including 3 trial shoes production lines) at the end of 2008. Together with a shoe sole factory and 2 apparel production bases in Xiamen and Changting, the Group had produced approximately 12.6 million pairs of footwear and approximately 4.5 million pieces of apparel during the year. Meanwhile, the proportion of self-produced footwear and apparel being sold was 50.0% (2007: 62.5%) and 11.7% (2007: 4.3%) respectively. The following graph sets out the geographical locations of production facilities and the quantity produced in-house during the year.



Changting
Apparel Production Facility
approx. 2,216,000 pieces

Anhai
Shoe Sole Production Facility
approx. 9,270,000 pieces

Chendai
Footwear Production Facility
3 Footwear Production Lines

Chidian
Footwear Production Facility
20 Footwear Production Lines with
3 Footwear Production Lines
in the trial stage

(Chendai and Chidian) **approx. 12,621,000 pairs**

Xiamen
Apparel Production Facility
approx. 2,273,000 pieces

FINANCIAL REVIEW

	Year ended 31 December		
	2008	2007 Restated	Changes
	(RMB million)	(RMB million)	(in %)
Turnover	**4,626.8**	2,988.7	54.8
Gross profit	**1,848.6**	999.9	84.9
Profit from operations	**930.7**	479.3	94.2
Profit attributable to shareholders	**894.8**	537.8	66.4
	(RMB cents)	(RMB cents)	(in %)
Earnings per share from continuing and discontinued operations			
– Basic	**35.94**	25.26	42.3
– Diluted	**35.86**	25.21	42.2
Shareholders' equity per share	**179.95**	166.69	8.0
	(HK cents)	(HK cents)	(in %)
Dividends per share			
– Interim	**10.00**	–	n/a
– Final	**10.00**	8.00	25.0
– Special	**8.00**	–	n/a
	(in %)	(in %)	(in % points)
Gross profit margin	**40.0**	33.5	6.5
Operating profit margin	**20.1**	16.0	4.1
Net profit margin	**19.3**	18.0	1.3
Effective tax rate	**7.3**	10.1	(2.8)
Advertising and promotional expenses (as a percentage of turnover)	**13.8**	12.4	1.4
Staff costs (as a percentage of turnover)	**7.0**	7.1	(0.1)
R&D costs (as a percentage of cost of sales)	**3.0**	2.5	0.5

	At 31 December	
	2008	2007 Restated
	(in %)	(in %)
Average total shareholders' equity to average total assets	**90.2**	80.0
Return on average total shareholders' equity	**20.7**	24.5
Return on average total assets	**18.7**	19.6
	(in 366 days)	(in 365 days)
Average inventory turnover days	**43**	44
Average trade receivables turnover days	**15**	14
Average trade and bills payables turnover days	**39**	51

Notes:

(1) Return on average total shareholders' equity is equal to the profit attributable to the shareholders divided by the average balance of total shareholders' equity.

(2) Return on average total assets is equal to the profit attributable to the shareholders divided by the average balance of total assets.

(3) Average inventory turnover days is equal to the average balance of inventories divided by the cost of sales and multiplied by the number of days in the relevant year.

(4) Average trade receivables turnover days is equal to the average balance of trade receivables divided by the turnover and multiplied by the number of days in the relevant year.

(5) Average trade and bills payables turnover days is equal to the average balance of trade and bills payables divided by the cost of sales and multiplied by the number of days in the relevant year.

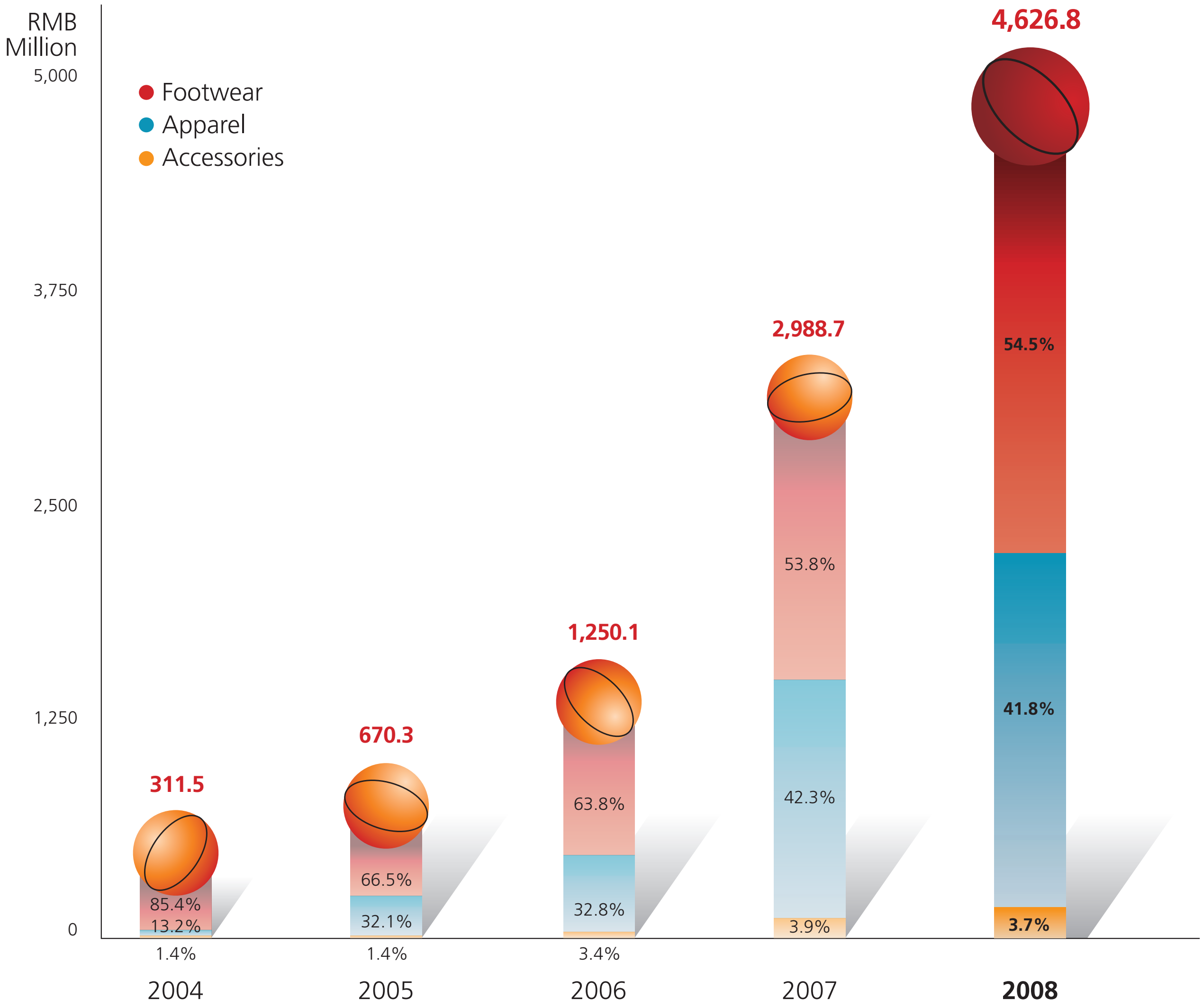
(6) Certain comparative figures have been restated as a result of the separate presentation of information of the discontinued operations. The results of continuing operations for the year ended 31 December 2007 represented the performance of ANTA branded business.

Turnover Breakdown by Products

The following table sets out the contribution to the turnover by product categories for the year:

	Year ended 31 December				
	2008		2007 Restated		
	(RMB million)	% of turnover	(RMB million)	% of turnover	Changes (in %)
Footwear	**2,521.6**	**54.5**	1,606.7	53.8	56.9
Apparel	**1,932.2**	**41.8**	1,263.4	42.3	52.9
Accessories	**173.0**	**3.7**	118.6	3.9	45.9
	4,626.8	**100.0**	2,988.7	100.0	54.8

Turnover by Product Mix



ANTA Brand

During the year, ANTA brand's turnover increased by 54.8% as compared with 2007 because of the 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 53.8% for 2007 to 54.5% for 2008, while the share of apparel and accessories in sales decreased slightly from 46.2% for 2007 to 45.5% for 2008. It reflected that footwear was relatively well received by the market. A wide range of product lines also reduced 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 year. For details of the results of discontinued operations, please refer to pages 107 and 108 of the annual report. This business commenced in the first half of 2007 and expanded gradually thereafter. Turnover for the four months period ended 30 April 2008 ("the Four Months Period") amounted to RMB143.3 million while turnover for the year 2007 amounted to RMB193.7 million. However, the rapid consolidation in the retail market distribution network triggered intense competition. Accordingly, more promotional activities were held to maintain competitiveness and the gross profit margin for the retail business decreased from 36.5% in 2007 to 31.0% for the Four Months Period. While the weighting and the gross profit margin of the wholesale business remains stable, the overall gross profit margin dropped from 28.6% in 2007 to 25.3% for the Four Months Period. This business incurred an operating loss of RMB7.7 million for the Four Months Period (year ended 31 December 2007: RMB5.6 million) mainly attributable to by the decrease in gross profit margin.

Turnover Breakdown by Regions

The following table sets out the contribution to the turnover by regions for the year:

	Year ended 31 December				
	2008		2007 Restated		
	(RMB million)	**% of turnover**	(RMB million)	% of turnover	Changes (in %)
Eastern region	**2,005.0**	**43.3**	1,219.1	40.8	64.5
Southern region	**1,628.5**	**35.2**	1,208.6	40.4	34.7
Northern region	**971.4**	**21.0**	535.3	17.9	81.5
China market	**4,604.9**	**99.5**	2,963.0	99.1	55.4
International markets	**21.9**	**0.5**	25.7	0.9	(14.8)
	4,626.8	**100.0**	2,988.7	100.0	54.8

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 the opening of new flagship stores in Beijing, Shanghai, Wuhan, Changsha and Hefei and the expansion of distribution network in those markets with high population density such as Hunan, Shandong, Hubei and Henan during the year.

Analysis of Average Selling Prices/Costs and Total Units Sold

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

	Year ended 31 December								
	2008			2007			Changes		
	Total no. of units sold (thousand)	Average selling prices (RMB)	Average costs (RMB)	Total no. of units sold (thousand)	Average selling prices (RMB)	Average costs (RMB)	Total no. of units sold (in %)	Average selling prices (in %)	Average costs (in %)
Footwear	**26,812**	**94.0**	**55.2**	18,262	88.0	58.6	46.8	↑ 6.8	↓ 5.8
Apparel	**33,874**	**57.0**	**35.3**	23,580	53.6	35.6	43.7	↑ 6.3	↓ 0.8

Notes:

(1) We do not include 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 unit prices. We believe that a unit-based analysis of this product category is not meaningful.

(2) Average selling price represents the turnover for the year divided by the total units sold during the year. Average cost represents the cost of goods sold for the year divided by the total number of units sold during the year.

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

- Increase in consumers' disposable income and 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; and

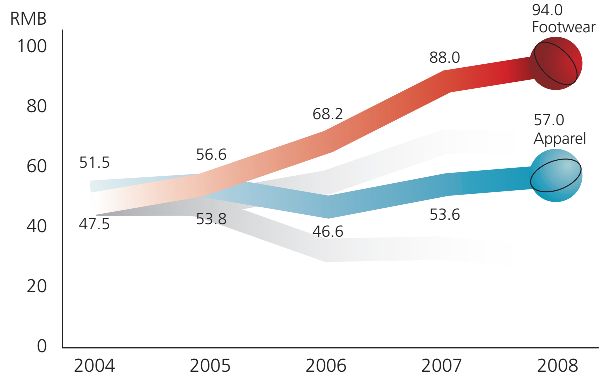
- The enhancement of our brand image and the provision of more supports and services to the distributors have contributed to the increase in our ex-factory prices.

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

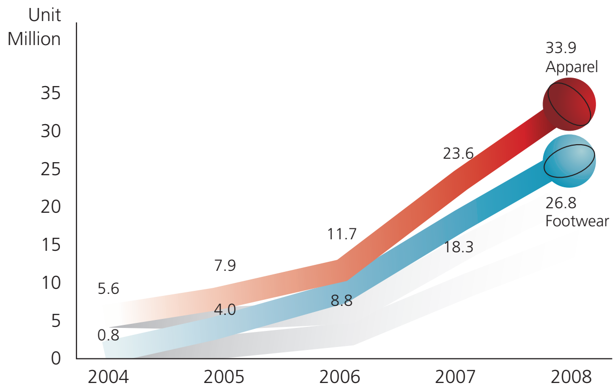
- Enhancement of brand and store image and the opening of flagship stores at prime locations are crucial factors for improving the quality of the distribution network and creating opportunity for further expansion of the distribution network to other potential markets. During the year, the number of ANTA stores and the total sales floor area have been increased; and

- The Group has developed a wide range of product lines to meet the demand of various markets in China.

ASP Growth (Wholesale Price)



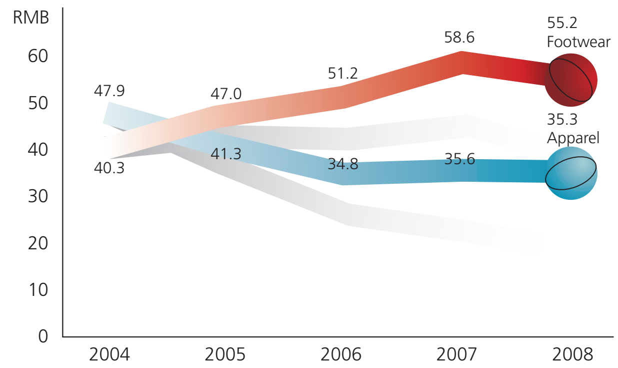
Volume Growth



The decrease in average costs was mainly due to the following factors:

- Shoe sole factory ran in full capacity in 2008 and achieved scale effect;
- Purchase of raw materials in advance to reduce the impact of price fluctuations; and
- Purchase of raw materials together with OEM/ODM in order to strengthen the Group's bargaining power and enjoy the mass-purchase discount.

Average Costs



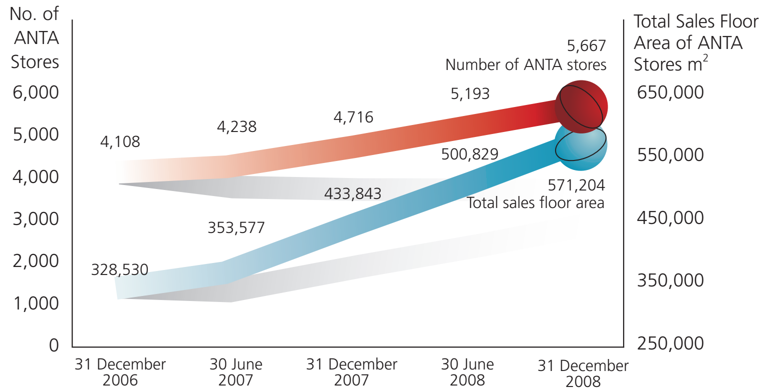
Turnover Per ANTA Store and Per Sales Floor Area

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

	At 31 December			Year ended 31 December					
				Weighted average				Weighted average sales contribution (ex-factory prices)	
	no. of ANTA stores	Total sales floor area (in sq.m.)	Average sales floor area per ANTA store (in sq.m.)	no. of ANTA stores	total sales floor area (in sq.m.)	sales floor area per ANTA store (in sq.m.)	Turnover (RMB million)	per ANTA store (RMB)	per sq.m. (RMB)
2008	**5,667**	**571,204**	**100.8**	**5,226**	**505,268**	**96.7**	**4,605**	**881,171**	**9,114**
2007	4,716	433,843	92.0	4,360	367,593	84.3	2,963	679,587	8,061
Changes	20.2%	31.7%	9.6%	19.9%	37.5%	14.7%	55.4%	29.7%	13.1%

Following the expansion of the distribution network and the enhancement of ANTA store image, the weighted average sales contribution per ANTA store has increased by 29.7% comparing with the previous year, which was made up of the increase in the weighted average sales floor area per ANTA store by 14.7% and the increase in the weighted average sales contribution per sq.m. by 13.1%. The Group's turnover in China market has increased by 55.4% which was made up of the increase in the weighted average number of ANTA stores by 19.9% and the increase in the weighted average sales contribution per ANTA store by 29.7%.

Number of ANTA Stores and Total Sales Floor Area of ANTA Stores



Cost of Sales Breakdown by Production and Procurement

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

	Year ended 31 December				
	2008		2007 Restated		
	(RMB million)	**% of cost of sales**	(RMB million)	% of cost of sales	Changes (in %)
Self-production					
Raw materials	**536.7**	**19.3**	457.6	23.0	17.3
Direct labour	**152.2**	**5.5**	120.9	6.1	25.9
Overhead	**152.5**	**5.5**	117.2	5.9	30.1
	841.4	**30.3**	695.7	35.0	20.9
Sub-contracting arrangement					
Raw materials	**416.3**	**15.0**	280.0	14.1	48.7
Sub-contracting charges*	**240.6**	**8.6**	219.6	11.0	9.6
	656.9	**23.6**	499.6	25.1	31.5
Outsourced production					
OEM/ODM	**1,279.9**	**46.1**	793.5	39.9	61.3
Total	**2,778.2**	**100.0**	1,988.8	100.0	39.7

* *The sub-contracting charges stated in note 5(b) of the consolidated financial statements included raw material processing fee. Such fee is included in the cost of raw materials in this analysis.*

The Group has adopted a sub-contracting arrangement to meet the increasing demand of 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. By improving cost efficiency and increasing the Group's bargaining power against sub-contractors, the Group is able to control the growth in sub-contracting charges during the year.

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

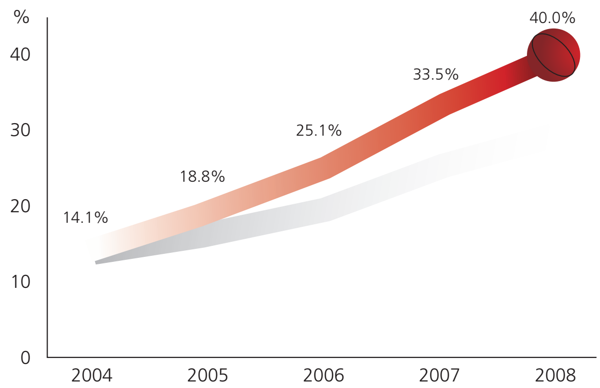
Gross Profit and Gross Profit Margin Breakdown by Product Mix

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

	Year ended 31 December				
	2008		2007		**Changes in gross profit margin**
	Gross profit (RMB million)	**Gross profit margin (in %)**	Gross profit (RMB million)	Gross profit margin (in %)	**(in % points)**
Footwear	**1,042.3**	**41.3**	534.7	33.3	8.0
Apparel	**735.1**	**38.0**	422.8	33.5	4.5
Accessories	**71.2**	**41.2**	42.4	35.8	5.4
Overall	**1,848.6**	**40.0**	999.9	33.5	6.5

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

Gross Profit Margin



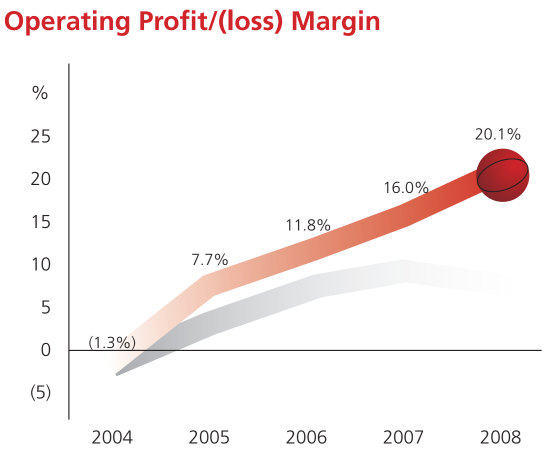
Other Revenue

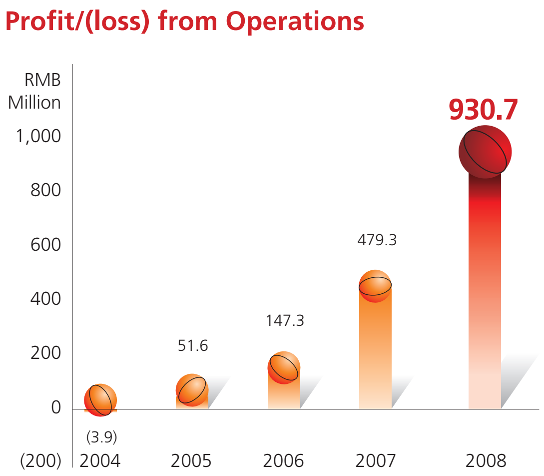
Other revenue for the year mainly represented government grants of RMB14.2 million.

Finance Income/(Costs), Net

Decrease in net finance income/(costs) was mainly due to reduction in market interest rate during 2008 and non-recurrence of interest income from over-subscription monies during IPO in 2007.

Operating profit margin





Operating profit margin increased by 4.1% points which is lower than the 6.5% points increase in the gross profit margin for the year, this was mainly caused by the increase of advertising and promotional expenses from 12.4% of turnover in 2007 to 13.8% in the current year, as a result of the increase in advertising and promotional expenses for the Olympic campaigns and the expansion and enhancement of the distribution network.

Effective Tax Rate

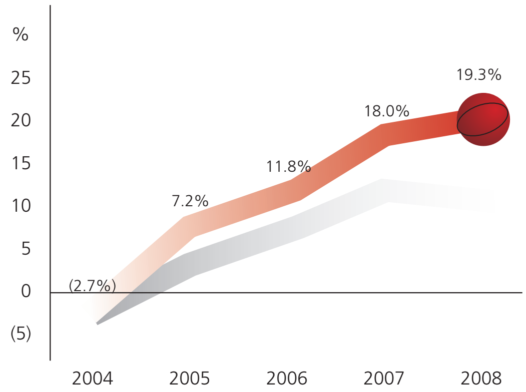
The effective tax rate for the year reduced from 10.1% in 2007 to 7.3% in the current year mainly because certain subsidiaries in the PRC are entitled to preferential tax treatments during 2008. In addition, interest income derived from bank deposits in Hong Kong is non-taxable.

"The Corporate Income Tax Law" ("New Tax Law") came into effect on 1 January 2008. The financial effect of the New Tax Law has been reflected in the consolidated financial statements. Domestic enterprises and foreign-invested enterprises that are currently entitled to preferential tax treatments may continue to enjoy these preferential tax treatments until 1 January 2013.

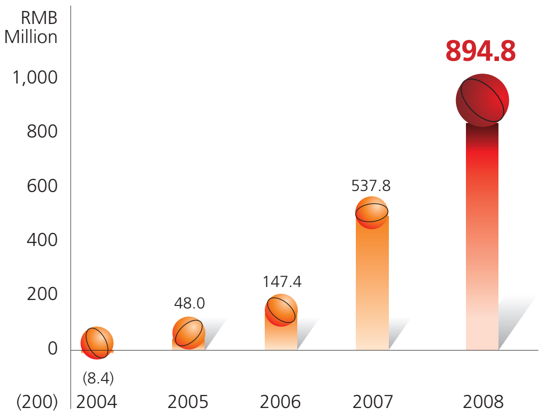
According to the notice Caishui {2008} No. 1 released by the Ministry of Finance and the State Administration of Taxation, distributions of the earnings accumulated since 1 January 2008 of a foreign-invested enterprise to a foreign investor is subject to withholding tax at 5%. However, the Group controls the dividend policy of these foreign-invested subsidiaries and estimated that 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 year.

Net Profit Margin

Net Profit/(loss) Margin



Profit/(loss) Attributable to Shareholders



Net profit margin increased by 1.3% points which is lower than the 4.1% points increase in operating profit margin for the year, as a consequence of the decrease in net finance income/(costs).

Dividends

The Company's board of directors recommended a final dividend of HK10 cents per ordinary share and a special dividend of HK8 cents per ordinary share for the year, together with payment of an interim dividend of HK10 cents per ordinary share, representing a total payout of RMB613.5 million (2007: RMB181.9 million), or distribution of 68.6% (2007: 33.8%) of the current year's profit.

Assets/Liabilities Turnover Ratio

Despite the remarkable growth of turnover and scale of operation, the Group has successfully implemented measures to control the inventory level and credit risk. The average inventory turnover days and the average trade receivable turnover days are comparable to last year.

The average trade payable turnover days decreased from 51 days to 39 days when compared with 2007 because the Group accelerated the payment of trade payable so as to obtain preferential terms on mass-purchase.

Liquidity and Financial Resources

At 31 December 2008, the cash and cash equivalents of the Group amounted to RMB3,271.7 million (placement of fixed deposits held at banks with maturity over 3 months totalling RMB221.6 million is regarded as an investing activity), representing an increase of RMB40.2 million as compared with the balance of RMB3,231.5 million at 31 December 2007.

- Cash inflows on operating activities amounted to RMB1,015.8 million, which is 323.9% higher than RMB239.6 million in 2007, representing improved management of working capital and outstanding operating results.

- Cash outflows on investing activities amounted to RMB410.3 million, comprised mainly placement of fixed deposits held at banks with maturity over 3 months totalling RMB221.6 million, capital expenditures for property, plant and equipment totalling RMB73.3 million, and payments for construction of factory premises in Jinjiang, Xiamen and Changting amounting to RMB99.0 million.

- Cash outflow on financing activities amounted to RMB400.3 million, represented the payment of the final dividend in respect of the year 2007 and the interim dividend in respect of the year 2008.

- Impact on appreciation of Renminbi amounted to RMB165.0 million.

At 31 December 2008, total assets of the Group were RMB4,942.5 million of which current assets reached RMB4,350.0 million. Total liabilities were RMB461.6 million and total equity amounted to RMB4,480.9 million. There was no outstanding bank loan at 31 December 2008.

As the increase in shareholders' equity (mainly share premium) took place after the listing of the Company in the second half of 2007, the return on average total shareholders' equity decreased from 24.5% for 2007 to 20.7% for 2008. In addition, the return on average total assets dropped from 19.6% for 2007 to 18.7% for 2008, mainly due to the increase in cash and cash equivalents.

Applications of Net IPO Proceeds

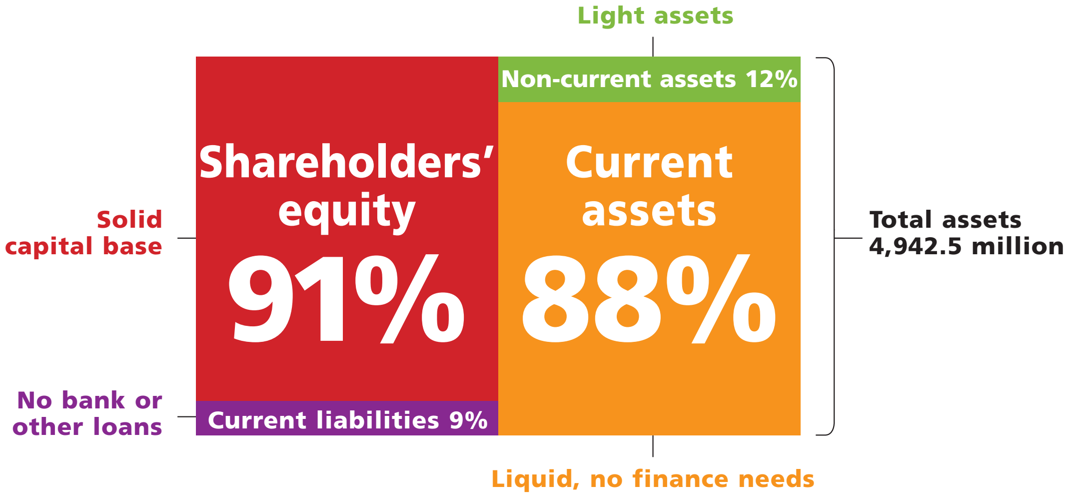
The net proceeds from the IPO were approximately HK$3,474.0 million (equivalent to RMB3,371.5 million), after deduction of related expenses. We have utilised such net proceeds in the manner consistent with that mentioned in the Company's prospectus dated 26 June 2007 under the section headed "Use of Proceeds". As such, the net proceeds utilised up to 31 December 2008 was as follows:

	Net IPO proceeds (HK$ millions)		
Use of Proceeds	**Available**	**Utilised**	**Unutilised**
Brand promotion, sponsorship and advertising	1,392	529	863
Distribution network of international sportwear brands*	696	81	615
Distribution network of ANTA brand	557	404	153
Expansion of production facilities	316	272	44
Development of new information management system	88	3	85
R&D of new technology	88	75	13
General corporate purposes	337	337	–
Total	3,474	1,701	1,773

* *As stated in an announcement dated 16 May 2008, the Group intends to use the remaining HK$614.5 million of such proceeds, after disposal of international brands retail business, in the acquisition and operation of other domestic or international sportwear product brands, which covers marketing costs, resources for building a product design team, brand building and general working capital.*

The unutilised net proceeds have been placed as short term bank deposits in licensed banks in Hong Kong at 31 December 2008. However, as stated in an announcement dated 11 February 2008, in order to take advantage of the appreciation of Renminbi, the Group has placed part of these unutilised net proceeds in licensed banks in China.

Strong Financial Positions



Pledge of Assets

At 31 December 2008, the Group had bank deposits of RMB0.2 million pledged (2007: RMB1.6 million) to secure the banker documentary credit for acquiring equipment.

Capital Commitments and Contingencies

At 31 December 2008, the Group has capital commitments of RMB244.9 million, primarily related to the expansion of our footwear production facilities in Jinjiang, development of new information management system and the establishment of an operational center in Xiamen.

At 31 December 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 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. As the functional currency of the Company is Hong Kong Dollar and the Company's financial statements is translated into Renminbi for reporting and consolidation purposes, foreign exchange difference arising from translation of financial statements is directly recognised to equity as a separate reserve. The Group conducts 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 is prepared to take prudent measures such as hedging when needed.

Significant Investments and Acquisitions

During the year, 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 of and cooperation with international sportswear brands to operate brand management and product design business, so as to increase the returns on shareholders' equity.

PROSPECTS

Despite the shadow of weakening of economic growth in China, the Group still sees enormous potential by strategically capturing the demand of the fast-growing sportswear market segments and strengthening our competitive advantages in terms of strong brand equity, solid R&D capabilities and extensive distribution network. The Group will also strive to maintain the balance between sustainable growth and the healthiness of the Group in terms of financial strength, brand value and distribution network as a whole.

Market and Product Diversification

Though consumers may be cautious in spending amid economic downturn, the Group believes that the outlook for demand in sportswear products is still promising as people's health awareness and exposure to sports activities is raised. Therefore, the Group will reinforce our market and product diversification strategies. The favorable response from the penetration into the basketball, Kids sportswear, and Trendy sneaker segments proved that certain market segments with great potential are yet to be explored. While sustaining a further penetration in these segments, the Group will continue to tap market segments with good potential such as tennis gear. Tennis is becoming more popular in China as a result of remarkable performance by Chinese tennis players in international contests in recent years. The Group is confident with the on-going development of our tennis business.

Consumers' increasingly sophisticated tastes and demand for quality product and functions have prompted more efforts on product innovations and quality assurance. By leveraging our strong R&D capabilities, the Group will strive to enhance the functionality and quality of performance-based series, especially tennis series and Kids sportswear series, to bring better comfort and protection to consumers. We will also step up our push into the Trendy sneaker market in 2009 by adding more stylish and personalised features to our trendy product lines to appeal to young and trendy customers.

In the long run, the Group will explore the feasibility of introducing international sportswear brand management business to complement our existing business and create higher value for the Group.

Sponsorship and Endorsement

ANTA brand has gained wide recognition through the Group's various sponsorships of sports leagues and athlete endorsements. The endorsement of international basketball players marked the beginning of the Group's efforts to gain more international exposure and recognition for our brand. The Group will bolster these relationships for instance, launch premium product series under the name of our endorsed players. Moreover, the Group will seek new opportunities in both international and domestic markets.

As mentioned above, tennis products will be one of our key focuses in the coming years. In order to strengthen our market position in tennis, the Group has signed an endorsement contract with Jelena Jankovic, one of the world's top tennis players, in January 2009.

Jankovic is a high-performance tennis player and her designated tennis sportswear, "Jelena Jankovic" series, will be tailor-made by top designers from the US and Japan. She will be equipped with ANTA's gear in tennis competitions and trainings, therefore, increasing the international exposure and credibility of ANTA's brand and products.

The Group will also reinforce the strategic partnerships with CBA and other sports associations to promote the sports development in China.

The Group is eyeing outstanding Chinese and international athletes, especially in fields that are becoming more popular in China such as tennis, marathon and track and field. The Group will continue to explore opportunities of strategic sponsorship resources.

Further Penetration of Distribution Network

The Group will strategically expand and optimise the distribution and retail network. The Group aims to increase the number of ANTA stores at prime locations in key markets and to further enhance the image and size of ANTA stores.

The Chinese Government has adopted economic stimulus plan that boost domestic demand by increasing the purchasing power of rural households. As a result, the consumption in rural regions is expected to rise in coming years. The Group will seize this opportunity and reinforce the existing distribution network. Together with the stores for the Trendy sneaker and Kids series, ANTA sportswear products will be launched in select regions with large populations and potential for growth.

The Group will further boost the strength and effectiveness of our distribution network by providing distributors and retailers regular training, targeted guidance and timely market information updates so as to enhance their inventory management and cost efficiency, product and market knowledge as well as the quality of product display and customer service.

Store Expansion Plan in 2009

ANTA stores

Increase from **5,667** to **6,200**

Kid Series Stores

Increase from **81** to **200**

Trendy Sneaker Stores

Increase from **33** to **200**

Enhancement of R&D and Quality Control Capabilities

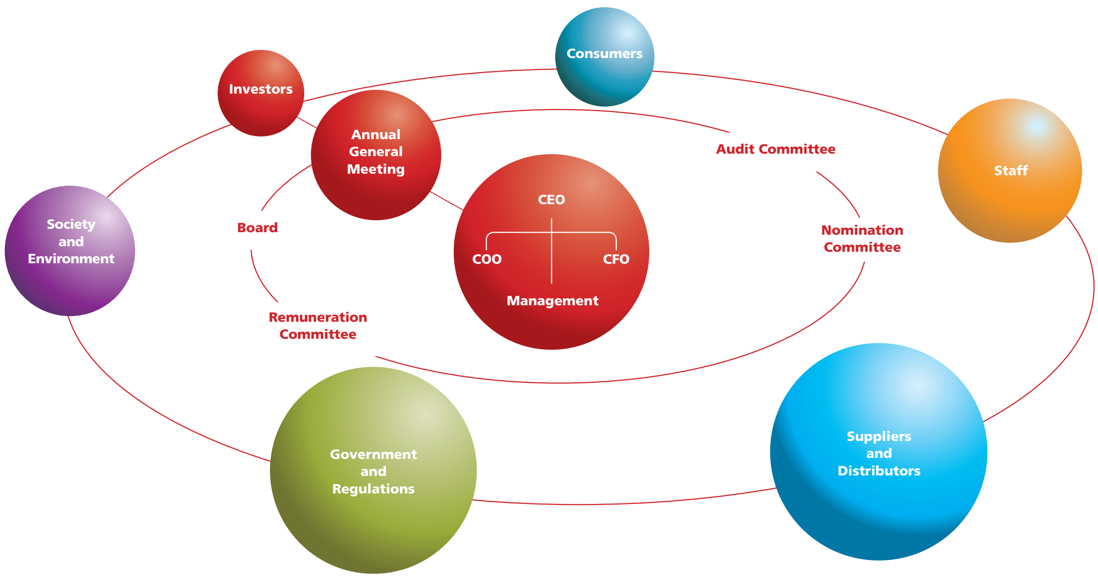
Functionality and comfort of sportswear are the keys to success. The Group continues to enhance our R&D capabilities and strengthen collaboration with international and local renowned design and R&D institutions. The designers with different cultural background will contribute their expertise to strengthen the functionality and design of products. As a result, the Group's product portfolio will be refined on a timely basis to respond to the latest changes of consumers' preference and tastes, which will increase our product differentiation. Meanwhile, the Group will impose more stringent testing and examination measures for products to upgrade the quality control system. Resources will also be enhanced and integrated for the R&D function including the Product R&D Centre and the Sports Science Laboratory.

Optimisation of Supply Chain Management

The Group will from time to time enhance our supply chain management to improve the overall cost efficiency as well as responsiveness to market trends. We are dedicated to help our material suppliers and OEM/ODM to enhance their operational systems and efficiency by providing guidance, recommendations, feedback and training on logistics and inventory management systems. The Group will strategically expand our self-production scale to meet the foreseeable demand. The Group will explore more opportunities with quality ODM to enhance the competitiveness of product design capabilities.

CHERISHING ANTA KEEP MOVING

Corporate Social Responsibility



Upholding 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 Society

Having committed to be a responsible corporate citizen, the Group has participated in charity events in the areas of public welfare, charity, education and environmental protection.

1. Concerns for Social Needs

The Group always concerns for society's needs, and therefore, various charity activities have been organised. In response to the serious earthquake happened in Sichuan Province in May 2008, the Group had taken immediate action to aid the afflicted areas. The aggregate amount of cash and goods donated by the Group, our staff and distributors reached RMB14 million.

The Group also devotes ourselves to social development by supporting the Jinjiang Government for infrastructure renovation and providing basic needs for children in various areas.

The Group's contributions to the society at large gained wide recognition. During the year, the Quanzhou Board of Commerce awarded ANTA as "Caring Company" of the year 2007-2008 and the Ministry of Civil Affairs of the PRC also awarded ANTA as "The Most Benevolent Foreign Enterprise – China Charity Award" of the year 2008.

upper: Mr. Ding (right) represented the Group to donate RMB5 million after the earthquake happened
lower: ANTA's staff queued up for donation in response to Mr. Ding's appeal

2. *Public Welfare Involvement*

The Group places emphasis on youth education as it is the foundation for developing future leaders. During the year, the Group has enthusiastically supported the local youth education and made donations to Quanzhou primary schools and kindergartens to improve their teaching environment. By the end of 2008, the Group has donated more than RMB4 million for improving the education environment in Jinjiang.

3. *Promoting Industry Development*

The Group is passionate towards the development of China sportswear industry by taking part in the establishment of quality standards for sportswear products. The National Sports Products Standardisation Committee (Apparel), which is in charge of setting standardisation guidelines for the sportswear industry, was founded in ANTA's headquarters in Jinjiang on 18 September 2008.

4. *Compliance and Integrity*

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

upper: Champions of the ABA league
lower: The Group provides a comfortable working environment for the staff

ANTA and Staff

By the end of 2008, the Group had 10,435 employees (2007: 10,280 employees). Designers and professionals from Hong Kong, Taiwan, Japan, Korea, England and Italy work together with local staff. This creates a multi-cultural working environment which generates brilliant inspiration.

1. *Cultivating Corporate Culture*

The Group strives to build a cohesive corporate culture through various activities, such as the "ABA" (ANTA Basketball Association), "ANTA Ping-Pong League" and "Jinjiang Corporate Choir". Employees are able to balance between work and personal life. Moreover, internal publications such as "ANTA Youths" are published on a regular basis to facilitate the internal communication and disseminate the latest information to the staff so as to enhance their loyalty to the Group.

The Group has arranged various activities to satisfy employees' needs. In early 2008, when there was the severe snowstorm in Southern China, the Group comforted the workers who stayed behind with series of warm Chinese New Year activities. During the Beijing Olympics 2008, the Group also provided broadcasting facilities and shared the excitement and happiness with the employees.

2. *Personalising HR Management*

With the aim of building a comfortable and fair working environment, from time to time, the Group has been enhancing our 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 of talents, standardising internal promotions policy and fortifying staff morale, and thus enhancing the competitiveness of the Group as a whole.

With the help of a world-renowned professional human resources consultancy, 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 year, the Group arranged approximately 1,600 training courses with approximately 370,000 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 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 has set out safety guidelines and provided related trainings and gear as well as annual health check at our expense.

upper: The Group offered various self-development programs for our staff and management
lower: The Group has maintained a good relationship with consumers

ANTA and Consumers

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

ANTA and Distributors

The Group provides support to our distributors such as strengthening information and resource sharing, providing display and promotional materials, and supporting them to upgrade the ANTA store image and relocation by reimbursement of renovation costs for those ANTA 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 the compliance with our standards, the quality of customer services can be further enhanced.

ANTA and Suppliers

To ensure the effective control of product quality, the Group regularly applies random quality inspection of the products and the raw materials from suppliers. The Group procures raw materials with suppliers so as to enjoy mass-purchase discount together.

ANTA and Environment

The Group strictly complies with corresponding environmental regulations and rules, and gains all necessary permissions and approvals from the relevant regulatory authorities. The Group has passed the ISO14001:2004 Environmental Management System Certification on R&D, production management and distribution management for our sportswear.

ANTA and Investors

The Group committed to improve the openness and transparency of information dissemination to shareholders and investors on a fair, prompt and accurate basis. During the year, the Group uses a proactive approach to communicate with shareholders, investors, analysts, media and the public through various platforms.

As the Group devotes ourselves to maintaining a high standard of investor relation and information disclosure, the IR magazine has recently awarded us a "Certificate of Excellence", which was voted by institutional investors and analysts from over 1,900 listed companies of Hong Kong and Taiwan. Moreover, the Group is currently covered by 21 investment banks and securities institutes, highlighting the investment and development potential of the Group.

HARDER TRAINING BRINGS
BRIGHTER FLAME

Luis Scola, ANTA's endorsed basketball player,
Spanish League and FIBA American Cup MVP and
Athens Olympics 2004 gold medalist

Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 December 2008.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office and principal place of business at Unit 4408, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the manufacturing, trading and distribution of sporting goods, including footwear, apparel and accessories, in the PRC. The principal activities and other particulars of the subsidiaries are set out on pages 150 and 151 of the annual report.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 2 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	2008 Percentage of the Group's total		2007 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**11.9%**		12.1%	
Five largest customers in aggregate	**33.7%**		37.0%	
The largest supplier		**6.1%**		10.7%
Five largest suppliers in aggregate		**26.7%**		30.2%

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 11 of the annual report.

CONSOLIDATED FINANCIAL STATEMENTS

The profits of the Group for the year ended 31 December 2008 and the state of the Company's and the Group's affairs at that date are set out in the consolidated financial statements on pages 96 to 151 of the annual report.

TRANSFER TO RESERVES

Profits attributable to shareholders, before dividends, of RMB894,791,000 (2007: RMB537,793,000) have been transferred to reserves. Other movements in reserves are set out in note 27 to the consolidated financial statements.

An interim dividend of HK10 cents per share (2007: Nil) was paid on 19 September 2008. The Directors now recommend the payment of a final dividend of HK10 cents per ordinary share (2007: HK8 cents per ordinary share) and a special dividend of HK8 cents per ordinary share (2007: Nil) in respect of the year ended 31 December 2008.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB7,423,000 (2007: RMB14,223,000).

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including fixed assets, construction in progress, lease prepayments and intangible assets) are set out in notes 13 to 16 to the consolidated financial statements.

BANK LOANS AND OTHER BORROWINGS

There were no outstanding bank loans and other borrowings by the Company and the Group at 31 December 2008.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 26 to the consolidated financial statements. There were no movements during the year.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2008 and at any time up to the date of this annual report.

PRE-EMPTIVE RIGHTS

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

DIRECTORS

The Directors during the financial year were:

Executive Directors
Mr. Ding Shizhong *(Chairman)*
Mr. Ding Shijia
Mr. Lai Shixian
Mr. Wang Wenmo
Mr. Wu Yonghua

Independent Non-Executive Directors
Mr. Yeung Chi Tat
Mr. Wong Ying Kuen, Paul
Mr. Lu Hong Te

Details of the Directors' biographies have been set out on pages 92 and 93 of the annual report.

In accordance with article 87 of the Company's articles of association, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Yeung Chi Tat will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Each of the Directors in the Board has entered into a service contract with the Company for a term of 3 years commencing on 11 June 2007 until terminated by giving three month's notice in writing thereof by either party to the other.

No Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

CONFIRMATION OF INDEPENDENCE

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

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

At 31 December 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 Part XV 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Long positions in our Company

Name of Directors	Nature of interest	Number of Shares	Number of Shares subject to options granted under the Pre-IPO share option scheme	Approximate percentage of interest in our Company
Mr. Ding Shizhong	Founder of a discretionary trust/ Beneficial owner	1,504,946,000[1]	–	60.44%
Mr. Ding Shijia	Founder of a discretionary trust/ Beneficial owner	1,499,500,000[2]	–	60.22%
Mr. Lai Shixian	–	–	5,250,000[3]	0.21%
Mr. Wang Wenmo	Founder of a discretionary trust	170,978,850[4]	–	6.87%
Mr. Wu Yonghua	Founder of a discretionary trust	90,059,850[5]	–	3.62%

Notes:

(1) *1,498,500,000 Shares were held through Anta International Group Holdings Limited ("Anta International"), which held 60.2% of the issued share capital of the Company. Shine Well (Far East) Limited is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Shine Well (Far East) Limited is held by Top Bright Assets Limited. The entire issued share capital of Top Bright Assets Limited is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the DSZ Family Trust. The DSZ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shizhong as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSZ Family Trust are family members of Mr. Ding Shizhong. Mr. Ding Shizhong as founder of the DSZ Family Trust is deemed to be interested in the Shares held by Anta International. 6,446,000 Shares were held by Mr. Ding Shizhong in the capacity of beneficial owner.*

(2) *1,498,500,000 Shares were held through Anta International, which held 60.2% of the issued share capital of the Company. Talent Trend Investment Limited is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Talent Trend Investment Limited is held by Allwealth Assets Limited. The entire issued share capital of Allwealth Assets Limited is in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shijia as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSJ Family Trust are family members of Mr. Ding Shijia. Mr. Ding Shijia as founder of the DSJ Family Trust is deemed to be interested in the Shares held by Anta International. 1,000,000 Shares were held by Mr. Ding Shijia in the capacity of beneficial owner.*

(3) *These shares are subject to the exercise of options granted under the Pre-IPO Share Option Scheme, details of which are set out in the section "Equity-Settled Share Based Payments" below.*

(4) *The interests of Mr. Wang Wenmo in the Company are held through Anta International, which holds 60.2% of the issued share capital of the Company. Fair Billion Development Limited holds 11.4% of the issued share capital of Anta International. The entire issued share capital of Fair Billion Development Limited is held by Asia Bridges Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust is an irrevocable discretionary trust set up by Mr. Wang Wenmo as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WWM Family Trust are family members of Mr. Wang Wenmo. Mr. Wang Wenmo as founder of the WWM Family Trust is deemed to be interested in the Shares held by Anta International.*

(5) *The interests of Mr. Wu Yonghua in the Company are held through Anta International, which holds 60.2% of the issued share capital of the Company. Spread Wah International Limited holds 6.0% of the issued share capital of Anta International. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as founder of the WYH Family Trust is deemed to be interested in the Shares held by Anta International.*

Save as disclosed above, at 31 December 2008, none of the Directors and chief executives of the Company has or is 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 has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

At no time during the year was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company (including their spouse and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

At 31 December 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 were as follows:

Name of Shareholder	Nature of interest	Number of Shares (See below)	Approximate percentage of interest in the Company
HSBC International Trustee Limited	Trustee (other than a bare trustee)[1]	1,800,000,000(L)	72.3%
Anta International Group Holdings Limited	Beneficial owner	1,498,500,000(L)	60.2%
Allwealth Assets Limited	Corporation[1]	1,498,500,000(L)	60.2%
Shine Well (Far East) Limited	Corporation[1]	1,498,500,000(L)	60.2%
Talent Trend Investment Limited	Corporation[1]	1,498,500,000(L)	60.2%
Top Bright Assets Limited	Corporation[1]	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[2]	175,500,000(L)	7.0%
	Interest of spouse[3]	5,250,000(L)	0.2%
Spring Star Assets Limited	Corporation[2]	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[4]	126,000,000(L)	5.1%
Sackful Gold Limited	Corporation[4]	126,000,000(L)	5.1%

(L) – Long Position, (S) – Short Position

Notes:

(1) The interests of HSBC Trustee in the Company are held through Anta International, Anda Holdings International Limited ("Anda Holdings") and Anda Investments Capital Limited ("Anda Investments"), holding approximately 60.2%, 7.0% and 5.1% of the issued share capital of the Company, respectively.

HSBC Trustee was the trustee of the DSZ Family Trust and the DSJ Family Trusts and it held the entire issued share capital of Top Bright Assets Limited and Allwealth Assets Limited, which in turn held the entire issued share capital of Shine Well (Far East) Limited and Talent Trend Investment Limited, respectively. Each of Shine Well (Far East) Limited and Talent Trend Investment Limited was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anta International and therefore each of them was deemed to be interested in all the 1,498,500,000 Shares held by Anta International. Accordingly, HSBC Trustee, Top Bright Assets Limited, Allwealth Assets Limited, Shine Well (Far East) Limited and Talent Trend Investment Limited were indirectly interested in the 1,498,500,000 Shares held by Anta International.

HSBC Trustee was the trustee of the DYL Family Trust and it held the entire issued share capital of Spring Star Assets Limited, which in turn was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Holdings and therefore was deemed to be interested in all the 175,500,000 Shares held by Anda Holdings. Accordingly, HSBC Trustee and Spring Star Assets Limited were indirectly interested in the 175,500,000 Shares held by Anda Holdings.

HSBC Trustee was the trustee of the DHM Family Trust and it held the entire issued share capital of Sackful Gold Limited, which in turn was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Investments and therefore was deemed to be interested in all the 126,000,000 Shares held by Anda Investments. Accordingly, HSBC Trustee and Sackful Gold Limited were indirectly interested in the 126,000,000 Shares held by Anda Investments.

(2) Spring Star Assets Limited was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Holdings and therefore was deemed to be interested in all the 175,500,000 Shares held by Anda Holdings.

The entire issued share capital of Spring Star Assets Limited was held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust was an irrevocable discretionary trust set up by Ms. Ding Yali as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DYL Family Trust were issue of Ms. Ding Yali. Ms. Ding Yali as founder of the DYL Family Trust was deemed to be interested in the 175,500,000 Shares held by Spring Star Assets Limited.

(3) 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.

(4) Sackful Gold Limited was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Investments and therefore was deemed to be interested in all the 126,000,000 Shares held by Anda Investments.

The entire issued share capital of Sackful Gold Limited was held by HSBC Trustee acting as the trustee of the DHM Family Trust. The DHM Family Trust was an irrevocable discretionary trust set up by Mr. Ding Hemu as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DHM Family Trust were issue of Mr. Ding Hemu. Mr. Ding Hemu as founder of the DHM Family Trust was deemed to be interested in the 126,000,000 Shares held by Sackful Gold Limited.

Save as disclosed above, at 31 December 2008, the Directors are not aware of any other person or corporation having an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 30 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) ("connected persons") and the Company have been entered into and are ongoing for which relevant disclosure had been made by the Company in the prospectus of the Company issued on 26 June 2007 (the "Prospectus").

1. *Lease Agreements with Fujian Anda Light Industrial Development Co., Ltd. ("Fujian Light Industrial"), Jinjiang Shifa Light Industry Co., Ltd. ("Jinjiang Shifa") and Mr. Ding Shizhong*

   (i) Lease Agreement with Fujian Light Industrial

   On 2 February 2007, the Group entered into a lease agreement with Fujian Light Industrial, whereby Fujian Light Industrial agreed to lease to the Group for an annual rent of RMB843,480 premises with an area of approximately 11,715 square meters situated at Wuli Industrial Zone, Anhai Town, Jinjiang, Fujian for a term of three years commencing from 2 February 2007 to 1 February 2010 renewable at the option of the Group. The lease agreement was superseded by a lease agreement dated 1 December 2007, whereby the contracted parties changed from ANTA China and Fujian Light Industrial to ANTA Quanzhou and Fujian Light Industrial, with the same terms and conditions. Fujian Light Industrial is an associate (as defined in the Listing Rules) ("associate") of Mr. Ding Shizhong and Mr. Lai Shixian (each of them the Executive Director of the Company) by virtue of Rule 14A.11 of the Listing Rules and is therefore a connected person of the Company.

   (ii) Lease Agreement with Jinjiang Shifa

   On 3 May 2007, the Group entered into a lease agreement with Jinjiang Shifa, whereby Jinjiang Shifa agreed to lease to the Group for an annual rent of RMB701,725 premises with an area of approximately 11,695.4 square meters situated in Andou Industrial Zone, Chendai, Jinjiang, Fujian for a term of three years commencing from 3 May 2007 to 2 May 2010. The lease agreement was superseded by a lease agreement dated 1 January 2008, whereby the contracted parties changed from ANTA China and Jinjiang Shifa to ANTA Quanzhou and Jinjiang Shifa, with the same terms and conditions. Jinjiang Shifa is an associate of Mr. Ding Shizhong and Mr. Ding Shijia (each of them the Executive Director of the Company) by virtue of Rule 14A.11 of the Listing Rules and is therefore a connected person of the Company.

   (iii) Lease Agreement with Mr. Ding Shizhong

   On 29 April 2007 and 8 May 2007, Beijing Fengxian Oriental Sporting Goods Co., Ltd. ("Beijing Fengxian"), a then indirect wholly-owned subsidiary of the Company, entered into a lease agreement and a supplemental agreement with Mr. Ding Shizhong, whereby Mr. Ding Shizhong agreed to lease to the Group for an annual rent of RMB65,000 premises with an area of approximately 80 square meters situated at Room 301, Block L, Building 7-10, No.88 Jianguo Road, Chao Yang District, Beijing for a term of three years commencing from 29 April 2007 to 28 April 2010. Mr. Ding Shizhong is the Executive Director of the Company and is therefore a connected person of the Company by virtue of Rule 14A.11 of the Listing Rules.

   On 16 May 2008, the Group disposed of its entire interest in Shanghai Fengxian Sporting Goods Development Limited and its subsidiaries (including Beijing Fengxian) to an independent third party. Since the completion of such disposal, the above transaction no longer constitutes continuing connected transactions of the Group under the Listing Rules.

   During the year, the Group's total rental expenses in respect of the above transactions amounted to RMB1,566,000.

2. *Packaging Material Supply Agreement with Quanzhou Anda Packaging Co., Ltd. ("Quanzhou Anda")*

On 15 June 2007, Quanzhou Anda and ANTA (China) Co., Ltd. ("ANTA China") entered into a packaging material supply agreement, whereby Quanzhou Anda agreed to supply cardboard cases to the Group from time to time on normal commercial terms which are no less favourable than those available from independent third parties. The packaging material supply agreement is for a term from 1 July 2007 to 31 December 2009 renewable for a further three years at the option of ANTA China subject to compliance with applicable requirements of the Listing Rules. Quanzhou Anda is an associate of Mr. Ding Shizhong (the Executive Director of the Company) by virtue of Rule 14A.11 of the Listing Rules and is therefore a connected person of the Company.

During the year, the Group's purchase of cardboard cases from Quanzhou Anda amounted to RMB10,632,000.

3. *Sportswear sales agreement of ANTA products with Guangzhou Anda Trading Development Co., Ltd. ("Guangzhou Anda") and Quanzhou Binhui Trading Co., Ltd. ("Quanzhou Binhui")*

On 15 June 2007, ANTA China entered into an agreement with each of Guangzhou Anda and Quanzhou Binhui, whereby the Group agreed to sell ANTA products to Guangzhou Anda and Quanzhou Binhui from time to time on normal commercial terms which are no more favourable than those available to the independent distributors. The agreements are both for a term from 1 July 2007 to 31 December 2009 renewable for a further three years at the option of ANTA China subject to compliance with applicable requirements of the Listing Rules. Both Guangzhou Anda and Quanzhou Binhui are deemed by the Hong Kong Stock Exchange to be a connected person of the Company by virtue of Rule 14A.11(4)(c) of the Listing Rules.

During the year, the Group's sales of ANTA products to Guangzhou Anda and Quanzhou Binhui amounted to RMB301,244,000 and RMB46,026,000 respectively.

In respect of the above continuing connected transactions, the Hong Kong Stock Exchange has granted a waiver to the Company from strict compliance with the announcement and/or independent shareholders' approval requirements subject to certain conditions. Please refer to the Prospectus for such conditions.

The Directors of the Company (including the Independent Non-Executive Directors of the Company) have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

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

(2) on normal commercial terms; and

(3) in accordance with the relevant agreements entered into on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company have provided a letter and confirmed that the aforesaid continuing connected transactions:

(1) have been approved by the Board of Directors of the Company;

(2) are in accordance with the pricing policies of the Group;

(3) have been entered into in accordance with the terms of the relevant agreements governing the transaction; and

(4) have not exceeded the caps allowed by the Hong Kong Stock Exchange in the relevant waiver.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed above, no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

COMPETING BUSINESS

None of the Directors of the Company had any interest in any competing business with the Company or any of its subsidiaries during the year.

Each of the Controlling Shareholders (as defined in the Prospectus) has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Non-competition Deed (as defined in the Prospectus). The Independent Non-Executive Directors of the Company have reviewed the status of compliance and also confirmed that all the undertakings under the Non-competition Deed have been complied with by the Controlling Shareholders.

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 1,085,000 options have been cancelled during the year. At 31 December 2008, the total number of shares which may be issued upon the exercise of all outstanding options granted under the Pre-IPO Option is 14,915,000 options.

Each option granted under the Pre-IPO Option has a vesting period of three years commencing from the Listing Date and the options are exercisable for a period of ten years. Under the terms of the Pre-IPO Options, at the date of this annual report, 30% of the total number of options granted to each grantee (if not cancelled) or 4,695,000 options are vested and can be exercised. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

No further options were granted under the Pre-IPO Option on or after the date of listing of the Company on the Hong Kong Stock Exchange.

(b) Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the shareholders' 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 year.

RETIREMENT SCHEMES

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 23 to the consolidated financial statements.

CORPORATE GOVERNANCE

In respect of the year ended 31 December 2008, save as disclosed in the Corporate Governance Report on pages 87 to 91 of the annual report, all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules were met by the Company.

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By order of the Board

Ling Shing Ping
Company Secretary

Hong Kong, 2 March 2009

Corporate Governance Report

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance and accountability. The Board will strive to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas 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 "Code") contained in Appendix 14 to the Listing Rules. The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the year ended 31 December 2008, save as disclosed below, all the code provisions set out in the Code were met by the Company.

(A) THE BOARD OF DIRECTORS

The overall management of the Company's operation is vested in the Board.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. Currently, the Board comprises eight Directors, including five Executive Directors and three Independent Non-Executive Directors. Their names and biographical details are set in the section entitled "Directors and Senior Management" in this annual report.

Compliance with the Model Code for Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the standard for securities transactions by Directors. The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code during the year.

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the year, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Ding Shizhong. With Mr. Ding's extensive experience in sportswear consumer markets, he is responsible for the overall strategic planning and business development of the Group. The Board considers that vesting the roles of Chairman and Chief Executive Officer simultaneously by Mr. Ding 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 comprises experienced and high caliber individuals. The Board currently comprises five Executive Directors and three Independent Non-Executive Directors and therefore has a strong independence element in its composition.

Independent Non-Executive Directors

Independent Non-Executive Directors play a significant role in the Board by virtue of their independent judgment and their views carry significant weight in the Board's decision. In particular, they bring an impartial view to bear on issues of the Company's strategy, performance and control. All Independent Non-Executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advices to the Board. The Board also considers that Independent Non-Executive Directors can provide independent advice on the Company's business strategy, results and management so that all interests of shareholders can be taken into account, and the interests of the Company and its shareholders can be protected.

All of the Independent Non-Executive Directors are appointed for an initial term of three years from the date of listing of the shares of the Company, i.e. 10 July 2007 and are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

The Company has received annual confirmations of independence from each of the existing Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

Appointments, Re-election and Removal of Directors

Each of the Executive Directors and Independent Non-Executive Directors of the Company has entered into a service contract with the Company for a specific term. Such term is subject to his re-appointment by the Company at an annual general meeting upon retirement. The articles of association of the Company provide that any Director appointed by the Board, either to fill a casual vacancy in the Board or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Board Committees

The Board has established Nomination Committee, Audit Committee and Remuneration Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are available upon request. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the Company's financial statements. The Audit Committee meets regularly with the Company's external auditors to discuss the audit process and accounting issues. Their written terms of reference are in line with the Code provisions. Members of the Audit Committee comprise Mr. Yeung Chi Tat (Chairman), Mr. Wong Ying Kuen, Paul and Mr. Lu Hong Te, all of whom are Independent Non-Executive Directors.

The Audit Committee met 3 times during the year. During the meetings, the Audit Committee has considered the annual results of the Group for the year ended 31 December 2007 and the interim results of the Group for the six months ended 30 June 2008 as well as the reports prepared by the external auditors relating to accounting issues and major findings in the course of audit/review. Also, it has reviewed the 2008 annual audit plan. All members of the Audit Committee attended the meetings.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Directors' remuneration and other benefits. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that their remuneration and compensation are reasonable. Their written terms of reference are in line with the Code provisions. Members of the Remuneration Committee comprise Mr. Ding Shizhong (Chairman), Mr. Lu Hong Te and Mr. Wang Ying Kuen, Paul.

The Remuneration Committee met once during the year. During the meeting, the Committee reviewed and approved the new remuneration scheme for all staff for the year to the Board. All members of the Remuneration Committee attended the meeting.

Nomination Committee

The Nomination Committee is primarily responsible to consider and recommend to the Board suitably qualified persons to become the member of the Board and is also responsible for reviewing the structure, size and composition of the Board on a regular basis and as required. Members of the Nomination Committee comprise Mr. Lu Hong Te (Chairman), Mr. Yeung Chi Tat and Mr. Lai Shixian.

No meeting was held by the Nomination Committee because the Company has listed in July 2007 and most of the present Directors were appointed in February 2007. The Committee considers that the size and composition of the Board is sufficient to meet the Company's business needs in respect of the year ended 31 December 2008.

Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications. The attendance of individual Directors at these meetings is set out below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
No. of meetings held for the year ended 31 December 2008	4	3	1	–
Executive Directors				
Mr. Ding Shizhong	4	N/A	1	N/A
Mr. Ding Shijia	4	N/A	N/A	N/A
Mr. Lai Shixian	4	N/A	N/A	–
Mr. Wang Wenmo	4	N/A	N/A	N/A
Mr. Wu Yonghua	4	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Yeung Chi Tat	4	3	N/A	–
Mr. Wong Ying Kuen, Paul	4	3	1	N/A
Mr. Lu Hong Te	4	3	1	–

All Directors are provided with relevant materials relating to the matters brought before the meetings. They have access to the senior management and the Company Secretary at all time and may seek independent professional advice at the Company's expense. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board procedures complied with the articles of association of the Company, as well as relevant rules and regulations.

(B) FINANCIAL REPORTING AND INTERNAL CONTROL

Financial Reporting

The Board, supported by the Chief Financial Officer and the finance department, is responsible for the preparation of the financial statements of the Company and the Group. In the preparation of financial statements, the International Financial Reporting Standards have been adopted and the appropriate accounting policies have been consistently used and applied. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner.

The work scope and responsibilities of KPMG, the Company's external auditor, are stated in the section entitled "Independent Auditor's Report" in this annual report.

External Auditors' Remuneration

KPMG has been appointed as the Company's external auditor since 2004. The Audit Committee has been notified of the nature and the service charges of non-audit services to be performed by KPMG and considered they have no adverse effect on the independence of their audit work.

During the year, the fee payable to KPMG in respect of its statutory audit services provided to the Company was HK$2,080,000 (2007: HK$1,750,000). Fees for non-audit services for the same period comprise service charges for the followings:

	2008	2007
Initial public offerings	**not applicable**	HK$5,100,000
Review of interim results	**HK$800,000**	HK$750,000
Tax review	**RMB100,000**	RMB320,000

Also, the Group appointed SHINEWING Risk Services Limited as the independent adviser to carry out an internal control review for the year. During the year, the related non-audit service fee amounted to HK$700,000 (2007: HK$600,000).

Internal Control

The Board is responsible for the internal control of the Group and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, ensure compliance of applicable laws, rules and regulations. The Group conducted general review and monitor of the Group's internal management and operation during the year.

In addition to the above, the Board and the Audit Committee have reviewed the effectiveness of its internal control systems on all major operations of the Group on a rotational basis by appointing a professional accounting firm on their behalf. The scope of review by the professional accounting firm has been determined and approved by the Audit Committee. The professional accounting firm has reported major internal control review findings to the Board and the Audit Committee. No major issue but areas for improvement have been identified. All recommendations from the professional accounting firm will be properly followed up to ensure that they are implemented within a reasonable period of time. The Board and the Audit Committee considered that the key areas of the Group's internal control systems are reasonably implemented and the Group has fully complied with the Code provisions regarding internal control systems in general.

(C) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTOR RELATIONS

The management believes that effective communication with the investment community is essential. Since the listing of the Company in July 2007, the Chief Operating Officer and the Chief Financial Officer of the Company held regular briefings, attended investor forums and participated in roadshows with institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development.

Details of these communication are stated in the section entitled "ANTA and Investors" on page 75 in the annual report.

By order of the Board

Ling Shing Ping
Company Secretary

Hong Kong, 2 March 2009

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ding Shizhong (丁世忠), aged 38, is the Chief Executive Officer, the President, the Executive Director and the Chairman of the Company. He is primarily responsible for the overall corporate strategies, brand management, planning and business development of our Group. He joined our Group in July 1994 and has dedicated to expand and promote our Group's business and to develop China's sporting goods industry.

He personally obtained the following awards:

Year	Awards
1998	The Eminent Young Entrepreneur of Jinjiang
2000	Top Ten Eminent Young Entrepreneurs of Fujian
2004	2004 Top Ten Brand Talents in China
2006	Top Ten Outstanding Young Persons in China
2008	Ernst & Young Entrepreneur of the Year – China
2009	World Economic Forum – Youth Global Leader

He is holding the following public offices:

Year	Public Offices
2003	The 10th Fujian Province People's Congress deputy
2008	The 11th National People's Congress deputy

Mr. Ding is the younger brother of Mr. Ding Shijia, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a Director of Anta International Group Holdings Limited, which holds 60.18% of the issued share capital of the Company.

Mr. Ding Shijia (丁世家), aged 44, is the Executive Director and the Vice President of the Company. He is primarily responsible for the management of our Group's footwear operations. He joined our Group in July 1994 and has over 10 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. Mr. Ding is the elder brother of Mr. Ding Shizhong, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a Director of Anta International Group Holdings Limited, which holds 60.18% of the issued share capital of the Company.

Mr. Lai Shixian (賴世賢), aged 34, is the Chief Operating Officer, the Executive Director and the Vice President of the Company. He is primarily responsible for the overall administrative management of the Group. He joined the Group in March 2003 and has over 10 years of experience in administrative management. Mr. Lai holds an EMBA degree from China Europe International Business School. Mr. Lai is the brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors. He is also a Director of Anta International Group Holdings Limited, which holds 60.18% of the issued share capital of the Company.

Mr. Wang Wenmo (王文默), aged 52, is the Executive Director and the Vice President of the Company. He is primarily responsible for the management of the Group's apparel operations in China. He joined the Group in June 2000 and has over 20 years of experience in the apparel industry. Mr. Wang is the cousin of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Group's Executive Directors.

Mr. Wu Yonghua (吳永華), aged 38, is the Executive Director and the Vice President of the Company. He is primarily responsible for the Group's sales and marketing management. He joined the Group in October 2003 and has over 10 years of experience in sales and marketing in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yeung Chi Tat (楊志達), aged 39, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in business administration from the University of Hong Kong and a master's degree in professional accounting from Hong Kong Polytechnic University. He is the fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He is also the president of the International Financial Management Association Hong Kong headquarters. He had previously worked at a major international accounting firm for over 10 years and possessed experience in auditing, corporate restructure and corporate financial services. He is the financial controller, qualified accountant and company secretary of Dynasty Fine Wines Group Limited (stock code: 828), and an independent non-executive director of Ta Yang Group Holdings Limited (stock code: 1991) and Linefan Technology Holdings Limited (stock code:8166), all of which are listed on the Hong Kong Stock Exchange.

Mr. Wong Ying Kuen, Paul (王應權), aged 53, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He has 18 years of experience in the sports media business. He graduated from Hong Kong Polytechnic University with a major in business administration in marketing. He is also a partner of M Square Capital Partners.

Mr. Lu Hong Te (呂鴻德), aged 48, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in industrial management science from National Cheng Kung University, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University. He is now a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in sales management and business competitive strategies. He also serves as a visiting professor at institutions including SGP International Management Academy, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center, and a consultant at institutions including the Chinese Association for Industrial Technology Advancement and Taiwan Entrepreneurs Society Taipei/Toronto. He is an independent non-executive director of three companies, namely Everlight Chemical Industrial Corporation (stock code: 1711) and Aiptek International Inc. (stock code: 6225) which are listed on the Taiwan Stock Exchange as well as Capxon International Electronic Company Limited (stock code: 469) which is listed on the Hong Kong Stock Exchange. He is also an independent director of two other companies, namely Firich Enterprises Co., Ltd (stock code: 8076) and Lanner Electronics Inc. (stock code: 6245), the shares of which are traded in the Gre Tai Securities Market in Taiwan.

SENIOR MANAGEMENT

Mr. Ling Shing Ping (凌昇平), aged 41, is the Company Secretary and Qualified Accountant of the Company. He is also the Chief Financial Officer and the Vice President of the Group and is responsible for our overall financial and accounting affairs, treasury and company secretarial matters of the Group. He joined the Group in January 2007. He had previously worked at a major international accounting firm for over 10 years and possessed experience in auditing, accounting and corporate finance. He holds a bachelor's degree in business administration from the University of Hong Kong. He is the fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors, as named above. Only those five Executive Directors and the Chief Financial Officer/Company Secretary are regarded as members of the Group's senior management.

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
ANTA Sports Products Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ANTA Sports Products Limited (the "Company") set out on pages 96 to 151, which comprise the consolidated and company balance sheets at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

2 March 2009

Consolidated Income Statement

for the year ended 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000 Restated
Continuing operations			
Turnover	1	**4,626,782**	2,988,723
Cost of sales		**(2,778,209)**	(1,988,816)
Gross profit		**1,848,573**	999,907
Other revenue	3	**21,139**	9,274
Other net loss	3	**(784)**	(1,651)
Selling and distribution expenses		**(758,415)**	(425,742)
Administrative expenses		**(179,854)**	(102,532)
Profit from operations		**930,659**	479,256
Finance income/(costs), net	4	**39,563**	125,447
Profit before taxation	5	**970,222**	604,703
Taxation	6	**(67,573)**	(61,272)
Profit from continuing operations		**902,649**	543,431
Discontinued operations			
Loss from discontinued operations	7	**(7,858)**	(5,638)
Profit for the year		**894,791**	537,793
Dividends	11	**613,521**	181,918
Earnings/(loss) per share	12		
From continuing and discontinued operations			
– Basic (RMB cents)		**35.94**	25.26
– Diluted (RMB cents)		**35.86**	25.21
From continuing operations			
– Basic (RMB cents)		**36.25**	25.52
– Diluted (RMB cents)		**36.17**	25.47
From discontinued operations			
– Basic (RMB cents)		**(0.31)**	(0.26)
– Diluted (RMB cents)		**(0.31)**	(0.26)

The notes, significant accounting policies and principal subsidiaries on pages 102 to 151 form part of these financial statements.

Consolidated Balance Sheet

at 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	13	**452,154**	328,440
Construction in progress	14	**86,541**	67,832
Lease prepayments	15(a)	**27,581**	23,784
Prepayments for acquisition of land use rights	15(b)	**22,101**	70,520
Intangible assets	16	**4,087**	4,213
Total non-current assets		**592,464**	494,789
Current assets			
Inventories	18	**332,510**	434,787
Trade and other receivables	19	**524,010**	467,740
Amounts due from related parties	30(c)	**–**	317
Pledged deposits	20	**184**	1,590
Fixed deposits held at banks with maturity over 3 months	21	**221,640**	–
Cash and cash equivalents	21	**3,271,674**	3,231,515
Total current assets		**4,350,018**	4,135,949
Total assets		**4,942,482**	4,630,738
Current liabilities			
Trade and other payables	22	**437,151**	455,714
Amounts due to related parties	30(c)	**1,551**	1,472
Current taxation	25(a)	**22,908**	22,858
Total current liabilities		**461,610**	480,044
Net current assets		**3,888,408**	3,655,905
Total assets less current liabilities		**4,480,872**	4,150,694
Equity			
Share capital	26	**241,654**	241,654
Reserves	27	**4,239,218**	3,909,040
Total equity attributable to shareholders of the Company		**4,480,872**	4,150,694
Total liabilities and equity		**4,942,482**	4,630,738

The notes, significant accounting policies and principal subsidiaries on pages 102 to 151 form part of these financial statements.

Ding Shizhong
Chairman and Chief Executive Officer

Lai Shixian
Chief Operating Officer

Ling Shing Ping
Chief Financial Officer

Hong Kong, 2 March 2009

Company Balance Sheet

at 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Investments in subsidiaries	17	**138**	146
Total non-current assets		**138**	146
Current assets			
Interest and other receivables	19	**5,668**	26,534
Amounts due from subsidiaries		**1,093,265**	469,555
Cash and cash equivalents	21	**1,653,048**	2,874,608
Total current assets		**2,751,981**	3,370,697
Total assets		**2,752,119**	3,370,843
Current liabilities			
Other payables and accruals	22	**6,148**	6,108
Total current liabilities		**6,148**	6,108
Net current assets		**2,745,833**	3,364,589
Total assets less current liabilities		**2,745,971**	3,364,735
Equity			
Share capital	26	**241,654**	241,654
Reserves	27	**2,504,317**	3,123,081
Total equity attributable to shareholders of the Company		**2,745,971**	3,364,735
Total liabilities and equity		**2,752,119**	3,370,843

The notes, significant accounting policies and principal subsidiaries on pages 102 to 151 form part of these financial statements.

Ding Shizhong
Chairman and Chief Executive Officer

Lai Shixian
Chief Operating Officer

Ling Shing Ping
Chief Financial Officer

Hong Kong, 2 March 2009

Consolidated Statement of Changes in Equity

for the year ended 31 December 2008
(Expressed in Renminbi)

		Attributable to shareholders of the Company		
	Note	Share capital RMB'000	Reserves RMB'000	Total RMB'000
At 1 January 2007		51,216	186,695	237,911
Capitalisation upon incorporation/reorganisation		152	–	152
Capitalisation issue		174,538	(174,538)	–
Shares issued under placing and public offering, net of issuing expenses		66,964	3,304,512	3,371,476
Reduction of capital upon reorganisation		(1,216)	–	(1,216)
Deemed distribution to controlling shareholders in connection with reorganisation		(50,000)	13,764	(36,236)
Increase in reserve arising from reorganisation	27(b)	–	141,029	141,029
Exchange difference on translation of financial statements of operations outside China	27(d)	–	(100,713)	(100,713)
Equity settled share-based payments	27(e)	–	498	498
Profit for the year		–	537,793	537,793
At 31 December 2007 and at 1 January 2008		**241,654**	**3,909,040**	**4,150,694**
Dividends declared or approved during the year	11	**–**	**(400,341)**	**(400,341)**
Exchange difference on translation of financial statements of operations outside China	27(d)	**–**	**(165,036)**	**(165,036)**
Equity settled share-based payments	27(e)	**–**	**764**	**764**
Profit for the year		**–**	**894,791**	**894,791**
At 31 December 2008		**241,654**	**4,239,218**	**4,480,872**

The notes, significant accounting policies and principal subsidiaries on pages 102 to 151 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000 Restated
Operating activities			
Profit/(loss) before taxation			
– Continuing operations		**970,222**	604,703
– Discontinued operations		**(7,658)**	(5,571)
		962,564	599,132
Adjustments for:			
– Depreciation	13	**42,282**	28,855
– Amortisation of lease prepayments	15	**715**	597
– Amortisation of intangible assets	16	**797**	344
– Interest expenses	4	**–**	1,745
– Interest income	4	**(78,549)**	(127,268)
– (Gain)/loss on disposal of property, plant and equipment, and intangible assets	3	**(134)**	2,402
– Share-based payments	5(a)	**764**	498
Operating profit before changes in working capital		**928,439**	506,305
Increase in inventories		**(11,956)**	(280,321)
Decrease/(increase) in trade and other receivables		**41,865**	(248,157)
Decrease in amounts due from related parties		**317**	51,858
Decrease in pledged deposits		**1,406**	3,310
Increase in trade and other payables		**30,348**	137,833
Increase/(decrease) in amounts due to related parties		**79**	(125)
Cash generated from operations		**990,498**	170,703
Income tax paid		**(67,917)**	(38,481)
Interest received		**93,249**	107,397
Net cash generated from operating activities		**1,015,830**	239,619
Investing activities			
Disposal of subsidiaries, net of cash disposed of	7	**(14,653)**	–
Payments for purchase of property, plant and equipment	13	**(73,340)**	(87,832)
Proceeds from sale of property, plant and equipment		**3,384**	145
Payments for construction in progress		**(99,009)**	(102,092)
Payments for lease prepayments	15(a)	**(2,416)**	(50)
Payments for acquisition of land use rights	15(b)	**(1,392)**	(70,520)
Payments for purchase of intangible assets	16	**(1,228)**	(4,035)
Placement of fixed deposits held at banks with maturity over 3 months		**(221,640)**	–
Net cash used in investing activities		**(410,294)**	(264,384)

	Note	2008 RMB'000	2007 RMB'000 Restated
Financing activities			
Repayment of bank loans		–	(50,000)
Proceeds from capital injection		–	152
Proceeds from issue of shares, net of issuing expenses		–	3,371,476
Cash distributed to controlling shareholders in connection with reorganisation		–	(37,280)
Dividends paid		**(400,341)**	(21,286)
Interest paid		–	(1,745)
Decrease in advances from the controlling shareholders of the Company		–	(74,333)
Net cash (used in)/generated from financing activities		**(400,341)**	3,186,984
Net increase in cash and cash equivalents		**205,195**	3,162,219
Cash and cash equivalents at 1 January		**3,231,515**	176,335
Effect of foreign exchange rate changes		**(165,036)**	(107,039)
Cash and cash equivalents at 31 December	21	**3,271,674**	3,231,515

The notes, significant accounting policies and principal subsidiaries on pages 102 to 151 form part of these financial statements.

1. TURNOVER

The principal activities of the Company and its subsidiaries (together referred to as the "Group") are the manufacturing, trading and distribution of sporting goods, including footwear, apparel and accessories, in the PRC. The principal activities and other particulars of the subsidiaries are set out on pages 150 and 151 of the annual report. Turnover represents the sales value of goods sold less returns, discounts, rebates, value added taxes and other sales taxes, which may be analysed as follows:

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Footwear	**2,521,552**	1,606,704	**63,538**	76,561	**2,585,090**	1,683,265
Apparel	**1,932,190**	1,263,428	**72,266**	108,077	**2,004,456**	1,371,505
Accessories	**173,040**	118,591	**7,469**	9,092	**180,509**	127,683
	4,626,782	2,988,723	**143,273**	193,730	**4,770,055**	3,182,453

2. 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 PRC, no geographical segment is presented.

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 year (see note 7).

Segment results

	Continuing operations ANTA Brand		Discontinued operations International Brands		Total	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover						
Revenue from external customers	**4,626,782**	2,988,723	**143,273**	193,730	**4,770,055**	3,182,453
Segment results	**944,609**	494,698	**(7,658)**	(5,501)	**936,951**	489,197
Unallocated income and expenses					**25,613**	109,935
Profit before taxation					**962,564**	599,132
Taxation					**(67,773)**	(61,339)
Profit for the year					**894,791**	537,793
Other segment information						
Depreciation and amortisation	**36,427**	22,092	**7,367**	7,704	**43,794**	29,796

2. SEGMENT REPORTING (Continued)

Segment assets and liabilities

	Continuing operations ANTA Brand		Discontinued operations International Brands		Inter-segment elimination		Total	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Assets								
Segment assets	**1,444,040**	1,341,354	**–**	205,892	**–**	(178,976)	**1,444,040**	1,368,270
Unallocated assets							**3,498,442**	3,262,468
Total assets							**4,942,482**	4,630,738
Liabilities								
Segment liabilities	**430,782**	402,967	**–**	206,618	**–**	(158,976)	**430,782**	450,609
Unallocated liabilities							**30,828**	29,435
Total liabilities							**461,610**	480,044
Other segment information								
Capital expenditure incurred during the year	**163,208**	229,209	**3,677**	35,320	**–**	–	**166,885**	264,529

3. OTHER REVENUE AND OTHER NET (LOSS)/INCOME

	Continuing operations		Discontinued operations		Total	
	2008 RMB'000	2007 RMB'000	**2008 RMB'000**	2007 RMB'000	**2008 RMB'000**	2007 RMB'000
Other revenue						
Government grants	**14,211**	3,412	**–**	–	**14,211**	3,412
Rental income from operating leases	**223**	216	**2,658**	1,270	**2,881**	1,486
Others	**6,705**	5,646	**3,181**	–	**9,886**	5,646
	21,139	9,274	**5,839**	1,270	**26,978**	10,544
Other net (loss)/income						
Gain/(loss) on disposal of property, plant and equipment, and intangible assets	**137**	(2,402)	**(3)**	–	**134**	(2,402)
Others	**(921)**	751	**31**	44	**(890)**	795
	(784)	(1,651)	**28**	44	**(756)**	(1,607)

4. FINANCE INCOME/(COSTS), NET

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Interest income	**78,491**	127,192	**58**	76	**78,549**	127,268
Financial assets at fair value through profit or loss – realised fair value gain	**2,784**	–	**–**	–	**2,784**	–
	81,275	127,192	**58**	76	**81,333**	127,268
Interest expenses on bank borrowings wholly repayable within five years	**–**	(1,745)	**–**	–	**–**	(1,745)
Net foreign exchange loss*	**(41,712)**	–	**–**	–	**(41,712)**	–
	(41,712)	(1,745)	**–**	–	**(41,712)**	(1,745)
Total finance income/(costs), net	**39,563**	125,447	**58**	76	**39,621**	125,523

* *Net foreign exchange loss primarily arose from the realised loss on conversion of foreign currency deposits into Hong Kong dollars deposits. The foreign currency deposits were acquired on maturity of certain currency-linked deposits during the year. At 31 December 2008, the Group has no outstanding currency-linked deposits or significant exposure to foreign currencies except as disclosed in note 28(e)(i).*

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Continuing operations		Discontinued operations		Total	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
(a) Staff costs:						
Contributions to defined contribution retirement plans	**5,359**	2,442	**1,191**	1,100	**6,550**	3,542
Share-based payments	**764**	498	**–**	–	**764**	498
Salaries, wages and other benefits	**319,402**	210,349	**11,975**	16,551	**331,377**	226,900
	325,525	213,289	**13,166**	17,651	**338,691**	230,940
(b) Other items:						
Depreciation	**34,984**	21,181	**7,298**	7,674	**42,282**	28,855
Amortisation						
– lease prepayments	**715**	597	**–**	–	**715**	597
– intangible assets	**728**	314	**69**	30	**797**	344
Sub-contracting charges	**293,812**	255,754	**–**	–	**293,812**	255,754
Auditors' remuneration	**2,562**	2,734	**–**	–	**2,562**	2,734
Operating lease charges in respect of properties:						
– minimum lease payments	**12,322**	5,943	**5,237**	5,340	**17,559**	11,283
– contingent rent	**–**	–	**19,932**	21,143	**19,932**	21,143
Research and development costs*	**82,316**	49,228	**–**	–	**82,316**	49,228

* *Research and development costs included staff costs of employees in the Research and Development Department, which are included in the staff costs as disclosed in note 5(a).*

6. TAXATION IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
Continuing operations		
Current tax – PRC income tax		
Provision for the year	**67,573**	61,272
Discontinued operations		
Current tax – PRC income tax		
Provision for the year	**200**	67
	67,773	61,339

(i) Pursuant to the rules and regulations of the Cayman Islands and the 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 during the year ended 31 December 2008.

(iii) During the year, certain subsidiaries in the PRC are entitled to preferential tax treatments. Certain subsidiaries 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"). In addition, other subsidiaries have been granted certain tax relief whereby the profits of these subsidiaries are taxed at the prevailing tax rate set by the local tax authority of 18% in 2008.

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.

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, the existing preferential income tax rate of 18% pertaining to certain subsidiaries will be adjusted to the standard rate of 25% progressively.

6. TAXATION IN THE CONSOLIDATED INCOME STATEMENT (Continued)

(a) Taxation in the consolidated income statement represents: (Continued)

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 and wholly owned 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 at 31 December 2007 in the Group's foreign-invested enterprises' books and accounts will not be subject to withholding tax at 5% on future distributions.

(b) Reconciliation between tax expenses and accounting profit at applicable tax rates:

	2008 **RMB'000**	2007 RMB'000
Profit/(loss) before taxation		
– continuing operations	**970,222**	604,703
– discontinued operations	**(7,658)**	(5,571)
	962,564	599,132
Notional tax on profit before taxation, calculated at the statutory rates in the countries concerned	**242,776**	180,932
Tax effect of non-deductible expenses	**26,688**	52
Tax effect of non-taxable income	**(429)**	(21,615)
Tax effect of tax concessions	**(201,262)**	(98,030)
Actual tax expenses	**67,773**	61,339

7. 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 Hesheng Investment Guarantee Development Co. Ltd. The results of Shanghai Fengxian and its subsidiaries are presented in these consolidated financial statements as discontinued operations and comparative figures have been restated.

The results and cash flows of Shanghai Fengxian and its subsidiaries included in the consolidated income statement and consolidated cash flow statement from 1 January 2007 to 31 December 2007 and 1 January 2008 to 30 April 2008 are set out below:

	Note	**Four months ended 30 April 2008 RMB'000**	Year ended 31 December 2007 RMB'000
Turnover	1	**143,273**	193,730
Cost of sales	18(b)	**(107,014)**	(138,350)
Gross profit		**36,259**	55,380
Other revenue	3	**5,839**	1,270
Other net income	3	**28**	44
Selling and distribution expenses		**(43,346)**	(50,405)
Administrative expenses		**(6,496)**	(11,936)
Loss from operations		**(7,716)**	(5,647)
Finance income, net	4	**58**	76
Loss before taxation	5	**(7,658)**	(5,571)
Taxation	6	**(200)**	(67)
Loss for the period/year		**(7,858)**	(5,638)
Net cash generated from operating activities		**7,099**	25,751
Net cash used in investing activities		**(1,038)**	(35,309)
Net cash generated from/(used in) discontinued operations		**6,061**	(9,558)

7. 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	21,609
Intangible assets	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
Net assets	5,974
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)
	(14,653)

8. DIRECTORS' REMUNERATION

Details of Directors' remuneration of the Company are set out below:

Year ended 31 December 2008

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000 (Note 24(a))	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors						
Mr. Ding Shizhong	–	1,080	9	–	532	1,621
Mr. Ding Shijia	–	500	3	–	148	651
Mr. Lai Shixian	–	500	3	284	145	932
Mr. Wang Wenmo	–	500	9	–	148	657
Mr. Wu Yonghua	–	500	6	–	148	654
	–	3,080	30	284	1,121	4,515
Independent Non-Executive Directors						
Mr. Yeung Chi Tat	214	–	–	–	–	214
Mr. Wong Ying Kuen, Paul	142	–	–	–	–	142
Mr. Lu Hong Te	142	–	–	–	–	142
Total	498	3,080	30	284	1,121	5,013

8. DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2007

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Share-based payments RMB'000 (Note 24(a))	Discretionary bonuses RMB'000	Total RMB'000
Executive Directors						
Mr. Ding Shizhong	–	1,080	5	–	307	1,392
Mr. Ding Shijia	–	500	2	–	80	582
Mr. Lai Shixian	–	500	3	163	80	746
Mr. Wang Wenmo	–	500	2	–	80	582
Mr. Wu Yonghua	–	500	2	–	62	564
	–	3,080	14	163	609	3,866
Independent Non-Executive Directors						
Mr. Yeung Chi Tat	117	–	–	–	–	117
Mr. Wong Ying Kuen, Paul	78	–	–	–	–	78
Mr. Lu Hong Te	78	–	–	–	–	78
Total	273	3,080	14	163	609	4,139

During the year, no amount was paid or payable by the Company to the Directors or any of the five highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2007: two) of them is also a Director of the Company whose emoluments are disclosed in note 8 above. The aggregate of the emoluments in respect of the remaining four (2007: three) individuals are as follows:

	2008 RMB'000	2007 RMB'000
Salaries and other emoluments	**4,179**	1,453
Discretionary bonuses	**1,822**	1,245
Share-based payments	**81**	47
Contributions to retirement benefit scheme	**75**	18
	6,157	2,763

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

The emoluments of the four (2007: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2008	2007
RMB1 to RMB1,000,000	**–**	2
RMB1,000,001 to RMB1,500,000	**4**	1

10. PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to shareholders of the Company includes a loss of RMB24,921,000 (2007: a profit of RMB111,726,000) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

(a) Dividends payable to shareholders of the Company attributable to the year:

	2008 **RMB'000**	2007 RMB'000
Interim dividend declared and paid after the interim period of HK10 cents per ordinary share (2007: Nil)	**218,423**	–
Final dividend proposed after the balance sheet date of HK10 cents per ordinary share (2007: HK8 cents per ordinary share)	**219,499**	181,918
Special dividend proposed after the balance sheet date of HK8 cents per ordinary share (2007: Nil)	**175,599**	–
	613,521	181,918

The final and special dividends proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

(b) Dividends payable to shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2008 **RMB'000**	2007 RMB'000
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the year, of HK8 cents per ordinary share (2007: Nil)	**181,918**	–

12. 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 year ended 31 December 2008 is based on the profit attributable to shareholders of the Company for the year of RMB894,791,000 (2007: RMB537,793,000) and the weighted average number of shares in issue during the year ended 31 December 2008 of 2,490,000,000 (2007: 2,129,342,000).

From continuing operations

The calculation of basic earnings per share for the year ended 31 December 2008 is based on the profit attributable to shareholders of the Company from continuing operations for the year of RMB902,649,000 (2007: RMB543,431,000) and the weighted average number of shares in issue during the year ended 31 December 2008 of 2,490,000,000 (2007: 2,129,342,000).

From discontinued operations

The calculation of basic loss per share for the year ended 31 December 2008 is based on the loss borne by shareholders of the Company from discontinued operations for the year of RMB7,858,000 (2007: RMB5,638,000) and the weighted average number of shares in issue during the year ended 31 December 2008 of 2,490,000,000 (2007: 2,129,342,000).

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the weighted average number of shares in issue adjusted for the potential dilutive effect caused by the share options granted under the Pre-IPO share option scheme (see note 24(a)) assuming they were exercised.

	2008 '000 Shares	2007 '000 Shares
Weighted average number of shares	**2,490,000**	2,129,342
Effect of deemed issue of shares under the Company's Pre-IPO share option scheme	**5,310**	3,896
Weighted average number of shares (diluted)	**2,495,310**	2,133,238

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Retail outlets leasehold improvements RMB'000	Total RMB'000
Cost:						
At 1 January 2007	93,335	66,189	11,415	16,948	–	187,887
Additions	253	31,462	5,868	20,040	30,209	87,832
Transfer from construction in progress (note 14)	105,363	2,944	–	2,336	–	110,643
Disposals	–	(287)	(5)	(332)	–	(624)
Deemed distribution	(2,620)	–	–	(300)	–	(2,920)
At 31 December 2007 and at 1 January 2008	**196,331**	**100,308**	**17,278**	**38,692**	**30,209**	**382,818**
Additions	**488**	**39,817**	**6,148**	**23,851**	**3,036**	**73,340**
Transfer from construction in progress (note 14)	**84,638**	**4,444**	**–**	**28,433**	**–**	**117,515**
Disposals	**–**	**(431)**	**(273)**	**(822)**	**(4,587)**	**(6,113)**
Disposal of subsidiaries	**–**	**–**	**(1,448)**	**(4,192)**	**(28,658)**	**(34,298)**
At 31 December 2008	**281,457**	**144,138**	**21,705**	**85,962**	**–**	**533,262**
Accumulated depreciation:						
At 1 January 2007	8,397	10,277	4,383	4,024	–	27,081
Charge for the year	6,254	6,709	1,819	6,948	7,125	28,855
Written back on disposals	–	(170)	(4)	(177)	–	(351)
Deemed distribution	(1,002)	–	–	(205)	–	(1,207)
At 31 December 2007 and at 1 January 2008	**13,649**	**16,816**	**6,198**	**10,590**	**7,125**	**54,378**
Charge for the year	**10,545**	**12,174**	**2,992**	**9,610**	**6,961**	**42,282**
Written back on disposals	**–**	**(147)**	**(83)**	**(387)**	**(2,246)**	**(2,863)**
Written back on disposal of subsidiaries	**–**	**–**	**(220)**	**(629)**	**(11,840)**	**(12,689)**
At 31 December 2008	**24,194**	**28,843**	**8,887**	**19,184**	**–**	**81,108**
Net book value:						
At 31 December 2008	**257,263**	**115,295**	**12,818**	**66,778**	**–**	**452,154**
At 31 December 2007	182,682	83,492	11,080	28,102	23,084	328,440

All of the Group's buildings and plant and machinery are located in the PRC.

14. CONSTRUCTION IN PROGRESS

	2008 RMB'000	2007 RMB'000
At 1 January	**67,832**	76,463
Additions	**88,509**	102,012
Transfer from prepayments for acquisition of land use rights (note 15(b))	**47,715**	–
Transfer to property, plant and equipment (note 13)	**(117,515)**	(110,643)
At 31 December	**86,541**	67,832

Construction in progress represents land and buildings under construction and plant and equipment pending for installation.

15. LEASE PREPAYMENTS / PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS

(a) Lease prepayments

	2008 RMB'000	2007 RMB'000
Cost:		
At 1 January	**25,957**	25,907
Additions	**2,416**	50
Transfer from prepayments for acquisition of land use rights (note 15(b))	**2,096**	–
At 31 December	**30,469**	25,957
Accumulated amortisation:		
At 1 January	**2,173**	1,576
Charge for the year	**715**	597
At 31 December	**2,888**	2,173
Net book value:		
At 31 December	**27,581**	23,784

Lease prepayments 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.

15. LEASE PREPAYMENTS / PREPAYMENTS FOR ACQUISITION OF LAND USE RIGHTS (Continued)

(b) Prepayments for acquisition of land use rights

	2008 **RMB'000**	2007 RMB'000
At 1 January	**70,520**	–
Additions	**1,392**	70,520
Transfer to construction in progress (note 14)	**(47,715)**	–
Transfer to lease prepayments (note 15(a))	**(2,096)**	–
At 31 December	**22,101**	70,520

The Group made prepayments for the acquisition of land use rights for certain self-operating properties under development. The related ownership certificates are being applied.

16. INTANGIBLE ASSETS

	Computer software RMB'000	**Patents and trademarks RMB'000**	**Others RMB'000**	**Total RMB'000**
Cost:				
At 1 January 2007	2,626	1,118	519	4,263
Additions	4,035	–	–	4,035
Disposals	(1,999)	–	(292)	(2,291)
Deemed distribution	(191)	(888)	(227)	(1,306)
At 31 December 2007 and 1 January 2008	**4,471**	**230**	**–**	**4,701**
Additions	**1,228**	**–**	**–**	**1,228**
Disposal of subsidiaries	**(656)**	**–**	**–**	**(656)**
At 31 December 2008	**5,043**	**230**	**–**	**5,273**
Accumulated amortisation:				
At 1 January 2007	323	154	220	697
Charge for the year	321	23	–	344
Written back on disposal	–	–	(17)	(17)
Deemed distribution	(191)	(142)	(203)	(536)
At 31 December 2007 and 1 January 2008	**453**	**35**	**–**	**488**
Charge for the year	**774**	**23**	**–**	**797**
Written back on disposal of subsidiaries	**(99)**	**–**	**–**	**(99)**
At 31 December 2008	**1,128**	**58**	**–**	**1,186**
Net book value:				
At 31 December 2008	**3,915**	**172**	**–**	**4,087**
At 31 December 2007	4,018	195	–	4,213

The amortisation charge for the year is included in cost of sales, selling and distribution expenses and administrative expenses in the consolidated income statement.

17. INVESTMENTS IN SUBSIDIARIES

	The Company 2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**138**	146

Details of principal subsidiaries at 31 December 2008 are shown on pages 150 and 151.

18. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group 2008 RMB'000	2007 RMB'000
Raw materials	**95,284**	111,868
Work in progress	**63,652**	44,697
Finished goods	**173,574**	278,222
	332,510	434,787

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

	The Group 2008 RMB'000	2007 RMB'000
Cost of inventories sold	**2,885,223**	2,127,166
Representing:		
– Continuing operations	**2,778,209**	1,988,816
– Discontinued operations (note 7)	**107,014**	138,350

19. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**226,491**	184,472	**–**	–
Advanced payments to suppliers	**189,897**	128,865	**–**	–
Deposits and other prepayments	**66,819**	97,196	**2,778**	6,663
Prepayment for construction costs	**10,775**	5,103	**–**	–
VAT receivables	**9,910**	27,944	**–**	–
Interest receivable	**5,171**	19,871	**2,890**	19,871
Other receivables	**14,947**	4,289	**–**	–
	524,010	467,740	**5,668**	26,534

Ageing analysis

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:

	The Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**219,494**	182,293
Less than 3 months past due	**6,703**	2,149
Past due over 3 months	**294**	30
	226,491	184,472

The Group normally grants a credit period of 30 to 90 days to its trade customers. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PLEDGED DEPOSITS

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

21. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks within three months to maturity when placed	**3,060,543**	3,014,608	**1,652,362**	2,874,608
Cash at bank and in hand	**211,131**	216,907	**686**	–
Cash and cash equivalents in the balance sheets and consolidated cash flow statement	**3,271,674**	3,231,515	**1,653,048**	2,874,608
Deposits with banks with more than three months to maturity when placed	**221,640**	–	**–**	–
	3,493,314	3,231,515	**1,653,048**	2,874,608

At 31 December 2008, the balances that were placed with banks in the PRC amounted to RMB1,834,575,000 (2007: RMB337,527,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

22. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**284,611**	327,704	**–**	–
Bills payable	**–**	5,300	**–**	–
Receipts in advance from customers	**1,519**	23,622	**–**	–
Accrued construction costs	**6,941**	11,769	**–**	–
Other payables and accruals	**144,080**	87,319	**6,148**	6,108
	437,151	455,714	**6,148**	6,108

Bills payable at 31 December 2007 were secured by pledged bank deposits.

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

	The Group	
	2008	2007
	RMB'000	RMB'000
Within 3 months	**255,083**	297,518
3 months to 6 months	**14,616**	22,424
Over 6 months	**14,912**	13,062
	284,611	333,004

23. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries now comprising the Group participate in several defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes at the rate of 18% of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

24. 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.

Each option granted under the Pre-IPO Option has a vesting period of three years commencing from the date of listing of the Company on the Hong Kong Stock Exchange ("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.

(i) The terms and conditions of the grants that existed during the years are as follows:

	Number of options ('000 shares)	Vesting conditions	Contractual life of options
Options granted to a Director:			
– on 12 June 2007	5,250	Three years from the date of listing of the Company's shares	10 years
Options granted to employees:			
– on 12 June 2007	10,750	Three years from the date of listing of the Company's shares	10 years
Total share options	16,000		

24. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(a) Pre-IPO share option scheme (Continued)

(ii) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Exercise price	**Number of options '000 shares**	Exercise price	Number of options '000 shares
Outstanding at the beginning of the year	**HK$4.224**	**16,000**	–	–
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**HK$4.224**	**1,085**	–	–
Granted during the year	**–**	**–**	HK$4.224	16,000
Outstanding at the end of the year	**HK$4.224**	**14,915**	HK$4.224	16,000
Exercisable at the end of the year	**HK$4.224**	**4,695**	–	–

No shares options were exercised during the year.

The share options outstanding at 31 December 2008 had a weighted average remaining contractual life of 9 years (2007: 10 years).

(iii) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options. The estimate of the fair value of the share options granted is measured based on a Black-Scholes-Merton Option Pricing Model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes-Merton Option Pricing Model.

Fair value of share options and assumptions	2007
Fair value at measurement date	HK$0.15
Weighted average share price	HK$2.40
Weighted average exercise price	HK$3.20
Expected volatility	23.15%-27.20%
Expected option life	1-3 years
Expected dividend yield	2%
Weighted average annual risk-free interest rates	4.251%-4.499%

24. EQUITY SETTLED SHARE-BASED PAYMENTS (Continued)

(b) Share Option Scheme

The Company has also adopted a share option scheme ("the Share Option Scheme") pursuant to the shareholders' 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 under the Share Option Scheme may be exercised in accordance with the terms of the 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 year.

25. TAXATION IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	2008 **RMB'000**	2007 RMB'000
Provision for PRC income tax	**22,908**	22,858

(b) Deferred tax assets not recognised:

In accordance with note Q of the Significant Accounting Policies section, the Group has not recognised deferred tax assets at 31 December 2008 in respect of cumulative tax losses of RMB14,422,000 (2007: RMB6,351,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under the current tax legislation.

(c) Deferred tax liabilities not recognised:

At 31 December 2008, temporary differences relating to the undistributed profits of the Group's foreign-invested enterprises amounted to RMB904,826,000 (2007: nil). Deferred tax liabilities of RMB45,241,000 (2007: nil) 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 the Directors have determined that the profits will not be distributed in the foreseeable future.

26. SHARE CAPITAL

Movements in the Company's authorised share capital are as follows:

	Par value HK$	Number of shares '000	Nominal value of ordinary shares HK$'000
Authorised:			
At 8 February 2007	0.10	500	50
Increase in share capital on 11 June 2007	0.10	4,999,500	499,950
At 31 December 2007 and 2008	**0.10**	**5,000,000**	**500,000**

Movements in the Company's issued share capital are as follows:

	Par value	Number of shares	Nominal value of ordinary shares	
	HK$	'000	HK$'000	RMB'000
Issued and fully paid:				
At 8 February 2007	0.10	10	1	1
Issue of shares for reorganisation	0.10	1,560	156	151
Capitalisation issue	0.10	1,798,430	179,843	174,538
Issues of shares under placing and public offering	0.10	690,000	69,000	66,964
At 31 December 2007 and 2008	**0.10**	**2,490,000**	**249,000**	**241,654**

27. RESERVES

The Group

	Note	Share premium RMB'000 (Note 27(a))	Capital reserve RMB'000 (Note 27(b))	Statutory reserve RMB'000 (Note 27(c))	Exchange reserve RMB'000 (Note 27(d))	Share-based compensation reserve RMB'000 (Note 27(e))	Retained profits RMB'000	Total reserve RMB'000
At 1 January 2007		–	132	18,641	10,974	–	156,948	186,695
Capitalisation issue		(174,538)	–	–	–	–	–	(174,538)
Shares issued under placing and public offering, net of issuing expenses		3,304,512	–	–	–	–	–	3,304,512
Deemed distribution to controlling shareholders in connection with reorganisation		–	(132)	–	–	–	13,896	13,764
Increase in reserve arising from reorganisation	27(b)	–	141,029	–	–	–	–	141,029
Appropriation to statutory reserve	27(c)	–	–	44,666	–	–	(44,666)	–
Exchange difference on translation of financial statements of operations outside China	27(d)	–	–	–	(100,713)	–	–	(100,713)
Equity settled share-based payments	27(e)	–	–	–	–	498	–	498
Profit for the year		–	–	–	–	–	537,793	537,793
At 31 December 2007 and 1 January 2008		**3,129,974**	**141,029**	**63,307**	**(89,739)**	**498**	**663,971**	**3,909,040**
Dividends declared or approved during the year	11	**(400,341)**	**–**	**–**	**–**	**–**	**–**	**(400,341)**
Appropriation to statutory reserve	27(c)	**–**	**–**	**100,777**	**–**	**–**	**(100,777)**	**–**
Exchange difference on translation of financial statements of operations outside China	27(d)	**–**	**–**	**–**	**(165,036)**	**–**	**–**	**(165,036)**
Equity settled share-based payments	27(e)	**–**	**–**	**–**	**–**	**764**	**–**	**764**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**894,791**	**894,791**
At 31 December 2008		**2,729,633**	**141,029**	**164,084**	**(254,775)**	**1,262**	**1,457,985**	**4,239,218**

27. RESERVES (Continued)

The Company

	Note	Share premium RMB'000 (Note 27(a))	Exchange reserve RMB'000 (Note 27(d))	Share-based compensation reserve RMB'000 (Note 27(e))	Retained profits RMB'000	Total reserve RMB'000
At 8 February 2007 (date of incorporation)		–	–	–	–	–
Capitalisation issue		(174,538)	–	–	–	(174,538)
Shares issued under placing and public offering, net of issuing expenses		3,304,512	–	–	–	3,304,512
Exchange difference on translation of financial statements of operations outside China	27(d)	–	(119,117)	–	–	(119,117)
Equity settled share-based payments	27(e)	–	–	498	–	498
Profit for the year		–	–	–	111,726	111,726
At 31 December 2007 and 1 January 2008		**3,129,974**	**(119,117)**	**498**	**111,726**	**3,123,081**
Dividends declared or approved during the year	11	**(400,341)**	**–**	**–**	**–**	**(400,341)**
Exchange difference on translation of financial statements of operations outside China	27(d)	**–**	**(194,266)**	**–**	**–**	**(194,266)**
Equity settled share-based payments	27(e)	**–**	**–**	**764**	**–**	**764**
Loss for the year		**–**	**–**	**–**	**(24,921)**	**(24,921)**
At 31 December 2008		**2,729,633**	**(313,383)**	**1,262**	**86,805**	**2,504,317**

27. RESERVES (Continued)

(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.

The aggregate amount of distributable reserves, including share premium and retained profits, of the Company at 31 December 2008 was HK$2,863,331,000 (2007: HK$3,339,542,000).

(b) Capital reserve

Pursuant to the reorganisation of the Group prior to the listing of the Company on the Main Board of the Hong Kong 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 which are dealt with in accordance with the accounting policy set out on note T(ii) of the Significant Accounting Policies section.

(e) Share-based compensation reserve

Share-based compensation reserve represents value of employee services in respect of share options granted to a director and employees of the Group recognised in accordance with the accounting policy adopted for share-based payment on note P(ii) of the Significant Accounting Policies section.

27. RESERVES (Continued)

(f) Capital management

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

The Group actively reviews and manages its capital structure in the light of changes in economic conditions so as to maintain a sound capital position. Total capital is defined as shareholders' equity in the consolidated balance sheet.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, commodity price and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

(i) Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Individual credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than three months from the date of billing are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 16% (2007: 24%) and 35% (2007: 45%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings.

28. FINANCIAL INSTRUMENTS (Continued)

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants centrally, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

	2008			2007		
	Carrying amount RMB'000	**Total contracted undiscounted cash flow RMB'000**	**Within 1 year or on demand RMB'000**	Carrying amount RMB'000	Total contracted undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
The Group						
Trade and other payables	**437,151**	**437,151**	**437,151**	455,714	455,714	455,714
Amounts due to related parties	**1,551**	**1,551**	**1,551**	1,472	1,472	1,472
	438,702	**438,702**	**438,702**	457,186	457,186	457,186
The Company						
Other payables and accruals	**6,148**	**6,148**	**6,148**	6,108	6,108	6,108

28. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk

(i) Interest rate profile

The Group's interest rate risk arises primarily from cash at bank. All of the bank deposits of the Group were fixed rate instruments and were insensitive to any change in market interest rates. The following table details the interest rate profile of the Group's and the Company's interest-generating financial assets at the balance sheet date:

	The Group			
	2008		2007	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate instruments:				
Pledged deposits	0.05%	184	0.72%	1,590
Bank deposits	1.22% – 3.24%	3,282,183	1.57% – 5.70%	3,014,608
		3,282,367		3,016,198
Variable rate instruments:				
Cash at bank and in hand	0.05%	211,131	0.72%	216,907
		211,131		216,907
Total instruments		3,493,498		3,233,105
Fixed rate instruments as a percentage of total instruments		94%		93%

	The Company			
	2008		2007	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Fixed rate instruments:				
Bank deposits	1.22% – 2.05%	1,652,362	3.65% – 5.70%	2,874,608
		1,652,362		2,874,608
Variable rate instruments:				
Cash at bank and in hand	0.05%	686	–	–
		686		–
Total instruments		1,653,048		2,874,608
Fixed rate instruments as a percentage of total instruments		99%		100%

28. FINANCIAL INSTRUMENTS (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profit for the year by approximately RMB33,463,000 (2007: RMB32,315,000). Other components of equity would not be affected (2007: Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(d) Commodity price risk

The major raw materials used in the production of the Group's products included polymers and plastics. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

(e) Currency risk

The Group is exposed to currency risk primarily through bank deposits that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk at the balance sheet date is primarily Hong Kong dollars and United States dollars. During the year, the Group also had exposure to other foreign currencies (see note 4).

(i) Exposure to currency risk

The following table details the Group's major exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group			
	2008		2007	
	HK$'000	**USD'000**	HK$'000	USD'000
Cash and cash equivalents	**122**	**6**	4,637	103
Amount due to intermediate holding company	**360,000**	**–**	100,000	–

28. FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk (Continued)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if the foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant. The sensitivity analysis includes bank deposits and an amount due to intermediate holding company where the denomination of the balances is in a currency other than the functional currencies.

	2008			2007		
	Increase/ (decrease) in foreign exchange rates in %	**Effect on profit after tax and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Hong Kong dollars	**5**	**15,880**	**–**	5	4,905	–
	(5)	**(15,880)**	**–**	(5)	(4,905)	–
United States dollars	**5**	**2**	**–**	5	20	–
	(5)	**(2)**	**–**	(5)	(20)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2007.

(f) Fair values

All financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2008.

28. FINANCIAL INSTRUMENTS (Continued)

(g) Business risk

The Group's primary business is the design, manufacturing and distribution of branded sports footwear, apparel and related accessories. The Group's financial results are influenced by the rapidity with which designs are copied by competitors and reproduced at much lower prices, as well as by the Group's ability to continue to create new designs that find favour in the market place, maintain a larger network of distributors, manufacture a sufficient quantities to meet fashionable sales, and dispose of excess inventories without excessive losses. Based on these factors, the Group may experience significant fluctuations in its future financial results.

29. COMMITMENTS

(a) Operating leases

The total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008 RMB'000	2007 RMB'000
Within 1 year	**14,817**	25,001
After 1 year but within 5 years	**10,061**	75,106
After 5 years	**–**	56,282
	24,878	156,389

The Group leases a number of properties under operating leases. The leases typically run for an initial period of one to five years, with an option to renew when all terms are renegotiated.

(b) Capital commitments

Capital commitments outstanding at 31 December 2008 not provided for in the financial statements were as follows:

	2008 RMB'000	2007 RMB'000
Contracted for	**78,850**	51,260
Authorised but not contracted for	**166,050**	316,372
	244,900	367,632

(Expressed in Renminbi unless otherwise indicated)

30. MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, in addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, 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.*

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) Recurring transactions

During the year, the Group entered into the following material related party transactions:

	2008 RMB'000	2007 RMB'000
Purchases of raw materials – Quanzhou Anda	**10,632**	7,737
Lease of land and properties		
– Fujian Light Industrial	**843**	773
– Jinjian Shifa	**702**	702

The Directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and in the ordinary course of business.

(b) Non-recurring transactions

For the year ended 31 December 2008, the Group had the following significant transactions with a related party:

	2008 RMB'000	2007 RMB'000
Purchases of apparel		
– Changting Sports	**–**	13,156
Lease of land and properties		
– Ding Shizhong	**21**	43

At 16 May 2008, Shanghai Fengxian and its subsidiaries (including Beijing Fengxian) were sold to an independent third party. Since completion of such disposal, the lease transaction between Mr. Ding Shizhong and Beijing Fengxian no longer constitutes a related party transaction of the Group.

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

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

	2008 RMB'000	2007 RMB'000
Amounts due from related parties		
Amounts due from the controlling shareholders of the Company		
– Mr. Ding Shizhong	–	15
– Mr. Ding Hemu	–	15
	–	30
Amounts due from holding company		
– Anta International	–	179
– Anda Investments	–	56
– Anda Holdings	–	52
	–	287
	–	317
Amounts due to related parties		
Trade balances due to related parties		
– Quanzhou Anda	**1,431**	1,244
	1,431	1,244
Amounts due to related parties		
– Ding Shijia	**50**	50
– Fujian Light Industrial	**70**	70
– ANTA Fujian	–	108
	120	228
	1,551	1,472

The amounts due from/(to) related parties and subsidiaries are unsecured, interest free and are expected to be recovered/repaid within one year. There was no provision of impairment loss made against the amounts due from related parties at 31 December 2007.

30. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008	2007
	RMB'000	RMB'000
Short-term employee benefits	**5,227**	4,159
Share-based payment	**324**	163
	5,551	4,322

Total remuneration is included in "staff costs" (see note 5(a)).

31. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. Other than the assumptions relating to the valuation of fair value of share options granted as set forth in note 24, the Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Impairments

The management determines the impairment loss if circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

31. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Net realisable value of inventories

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

(c) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses charge for the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(d) Provision for deferred tax

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

32. NON-ADJUSTING POST-BALANCE SHEET EVENT

After the balance sheet date the Directors proposed a final and a special dividend. Further details are disclosed in note 11.

33. COMPARATIVE FIGURES

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

34. NEW AND REVISED IFRSs

The IASB has issued a number of new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting year ended 31 December 2008 and which have not been adopted in these consolidated financial statements.

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

In addition, the following developments are expected to result in amended disclosures in the consolidated financial statements including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
IFRS 8	Operating segments	1 January 2009
IAS 1 (revised 2007)	Presentation of financial statements	1 January 2009

36. IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors consider the immediate and ultimate holding company of the Company at 31 December 2008 to be Anta International Group Holdings Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

37. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board on 2 March 2009.

Significant Accounting Policies

(A) Statement of compliance

The Company was incorporated in the Cayman Islands on 8 February 2007. The shares of the Company were listed on the Main Board of Hong Kong Stock Exchange on 10 July 2007.

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB").

These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

(B) Basis of preparation

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries. The consolidated financial statements are presented in RMB, rounded to the nearest thousand, and are prepared on the historical cost basis except that the financial assets at fair value through profit or loss are stated at their fair value as explained in (M) below.

A summary of the significant accounting policies adopted by the Group is set out below.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 35.

(C) Basis of consolidation

The consolidated financial statements for the year ended 31 December 2008 include the financial statements of the Company and its subsidiaries.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see (J)).

(ii) Business combinations involving entities under common control

The comparative amounts in the consolidated financial statements incorporate the financial statements of the combining entities or businesses as if they had been combined from the date when the combining entities or business first came under the control of the controlling parties. They are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under control of the controlling parties, whichever is shorter.

(D) Other investments in equity securities

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see (J)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(E) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and impairment losses (see (J)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Plant and machinery — 5-10 years
- Motor vehicles — 5 years
- Furniture and fixtures — 5 years
- Retail outlets leasehold improvements — 2 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(F) Construction in progress

Construction in progress represents property, plant and equipment under construction and equipment pending for installation, and is stated at cost less impairment losses (see (J)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are complete.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(G) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC's governmental authorities. Land use rights are carried at cost less accumulated amortisation and impairment losses (see (J)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(H) Intangible assets

Intangible assets that are acquired by the Group are stated in the consolidated balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see (J)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– patents and trademarks	10 years
– computer software costs and others	3-5 years
– club membership	5 years

Both the useful life and method of amortisation are reviewed annually.

(I) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(J) Impairment of assets

(i) Impairment of trade and other receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- lease prepayments;
- intangible assets;
- construction in progress; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(K) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(L) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see (J)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see (J)).

(M) Financial assets at fair value through profit or loss

Performances of financial assets at fair value through profit or loss are managed and their performances are evaluated on a fair value basis. A financial asset is classified in this category at initial recognition in accordance with the Group's investment strategy. At each balance sheet date, the fair value is re-measured with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit and loss includes the interest income earned on these financial assets. Assets in this category are classified as current assets.

(N) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(O) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(P) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(Q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(R) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(S) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when the customer has accepted the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts, rebates and goods returns.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognised as deferred income and subsequently recognised as revenue in profit or loss upon satisfaction of the conditions attaching to the grants.

(T) Translation of foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong dollars and the functional currency of the subsidiaries in the PRC is Renminbi. The financial statements are presented in RMB ("presentation currency") for easy reference to international investors.

(ii) Transactions and balances

Foreign currency transactions during the year are translated into the functional currency at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside the PRC, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

(U) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

(V) Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred.

(W) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(X) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making finance and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(iv) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(v) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(Y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. In view of the fact that the Group operates mainly in the PRC, no geographical segment is presented.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

(Z) 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.

Principal Subsidiaries

Name of company	Place of incorporation/ operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct	Indirect	Principal activities
Anta Enterprise Group Limited ("Anta Enterprise")	BVI/Hong Kong	USD10,000/USD50,000	100%	–	Investment holding
Motive Force Sports Products Limited ("Motive Force")	BVI/Hong Kong	USD10,000/USD50,000	100%	–	Investment holding
Anda International Investment Limited ("Anda International Investment")	Hong Kong	HKD1,000,000/ HKD1,000,000	–	100%	Investment holding
ANTA International Limited ("ANTA Int'l Ltd")	Hong Kong	HKD1/HKD10,000	–	100%	Management services
安踏(中國)有限公司(「安踏中國」) ANTA (China) Co., Ltd. ("ANTA China") (Notes (i) and (iii))	PRC	HKD600,000,000/ HKD600,000,000	–	100%	Manufacturing and trading of sporting goods
安踏(長汀)體育用品有限公司(「安踏長汀」) ANTA (Changting) Sports Products Co., Ltd. ("ANTA Changting") (Notes (i) and (iii))	PRC	HKD80,000,000/ HKD80,000,000	–	100%	Manufacturing of sporting goods
安踏(廈門)體育用品有限公司(「安踏廈門」) ANTA (Xiamen) Sports Goods Co., Ltd. ("ANTA Xiamen") (Notes (i) and (iii))	PRC	HKD50,000,000/ HKD50,000,000	–	100%	Manufacturing of sporting goods
安踏(泉州)體育用品有限公司(「安踏泉州」) ANTA (Quanzhou) Sports Products Limited ("ANTA Quanzhou") (Notes (i) and (iii))	PRC	HKD100,000,000/ HKD100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏貿易有限公司(「廈門安踏貿易」) Xiamen ANTA Trading Co., Ltd. ("Xiamen ANTA Trading") (Notes (i) and (iii))	PRC	HKD300,000,000/ HKD300,000,000	–	100%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct	Indirect	Principal activities
廈門安踏投資管理有限公司（「廈門安踏投資」） Xiamen ANTA Investment Management Company Limited ("Xiamen ANTA Investment") (Notes (ii) and (iii))	PRC	RMB125,000,000/ RMB125,000,000	–	100%	Investment holding
晉江安踏貿易有限公司(「晉江安踏貿易」) Jinjiang ANTA Trading Co., Ltd. ("Jinjiang ANTA Trading") (Notes (ii) and (iii))	PRC	RMB10,000,000/ RMB10,000,000	–	100%	Trading of sporting goods

Notes:

(i) These entities are wholly owned foreign enterprises established in the PRC.

(ii) These entities are limited liability companies established in the PRC.

(iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

Glossary

ANTA Store(s)
ANTA authorised retail store(s)

ASP/Average Selling Price
Sales amount divided by sales quantity

Average Sales Floor Area
Practical sales floor area, excluding warehouse, divided by number of stores

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

During/for the year
During/for the year ended 31 December 2008

EBIT
Earnings before interest and tax

eHR
A module of the ERP System

ERP
Enterprise Resources Planning 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

IPO
Initial Public Offering

Listing Rules
The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

ODM
Original Design Manufacturer

OEM
Original Equipment Manufacturer

POS
ANTA stores' point of sales

R&D
Research and development

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

Shops in Shops
Concessionary ANTA stores located in department stores

Investors Information

CORPORATE PROFILE

As one of the leading branded sportswear enterprises in China, the Group primarily designs, develops, manufactures and markets sportswear, including sports footwear, apparel and accessories. 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 date:	10 July 2007
Board lot size:	1,000 shares
Numbers of shares in outstanding:	2,490,000,000 shares (At 31 December 2008)

STOCK CODES

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

DIVIDENDS

Final dividend in 2007	HK8 cents
Interim dividend in 2008	HK10 cents
Final dividend in 2008	HK10 cents
Special dividend in 2008	HK8 cents

IR CONTACT

If you have any inquiries, please contact:

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Telephone:	(852) 2894 6321
Fax:	(852) 2576 1990
E-mail:	anta@hillandknowlton.com.hk

2008 AND 2009 FINANCIAL CALENDAR

12 Mar 2008
2007 Annual results announcement

21 Apr 2008
Annual general meeting

25 Aug 2008
2008 Interim results announcement

9 to 12 Sep 2008
(Both days inclusive)
Book closing date for 2008 interim dividend

19 Sep 2008
Payment date of 2008 interim dividend

31 Dec 2008
2008 Financial year end date

2 Mar 2009
2008 Annual results announcement

8 to 15 Apr 2009
(Both days inclusive)
Book closing date for 2008 final and special dividends

15 Apr 2009
Annual general meeting

23 Apr 2009
or after
Payment date of 2008 final and special dividends

31 Dec 2009
2009 Financial year end date

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