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ANTA Interim Report 2010



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Chinese Olympic Committee Official Partner  
中国奥委会合作伙伴



ANTA Sports Lifestyle



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ANTA Sports Products Limited Incorporated in the Cayman Islands with limited liability Stock Code: 2020







### Sports, Internet and Lifestyle



Sports has become an important part of Chinese daily life. Young and energetic consumers mainly access sports-related information through the internet. The design of interim report 2010 is inspired by the concept of networking website, web-games, photo and video sharing website and personal blog. They represent the Group's utilisation of online platform, such as brand website, forum, online store as well as ANTA's online community, ANTown, to interact with consumers and provide updates of our sponsored sports leagues, endorsed players, marketing events and community activities. These web communication tools enable the Group to arouse the sports awareness and integrate sports spirit into everyone's daily life.

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# GOING BEYOND ONESELF



**Ding Shizhong**  
Chairman

## Has the Group sustained a strong momentum in financial performance in the first half of 2010?

Dear Shareholders: As a result of the effective implementation of our integrated marketing strategy, optimisation of the distribution network as well as improvement of R&D and design capabilities, the Group is able to achieve a strong and healthy growth and deliver a set of impressive financial and operational results. During the period, the Group's turnover increased by 22.6% to RMB3.5 billion (2009 1H: RMB2.8 billion). The profit attributable to equity shareholders surged 25.0% to RMB760.2 million (2009 1H: RMB608.3 million). The free cash inflow increased by 36.9% to RMB735.5 million (2009 1H: RMB537.3 million). The basic earnings per share were RMB30.50 cents (2009 1H: RMB24.43 cents). In view of the outstanding performance, the Board proposed to declare an interim dividend of HK20 cents per ordinary share (2009 1H: HK12 cents).

## How did the Group strengthen its advantages when facing the keen competition in the sportswear industry?

Consumers' brand awareness increases gradually due to the rising affluence and living standards. Therefore, the Group has allocated resources to enhance the ANTA brand's desirability. The exclusive sportswear sponsorship for the COC and the CSD has no doubt provided ANTA a perfect platform to set us apart from other players in the industry. The outstanding performance of the CSD in the Vancouver 2010 Winter Olympics, in particular our endorsed athletes, offered excellent exposure for ANTA's

sportswear at victory ceremonies and celebration events held in the "Home of China". The positive market feedback to the "Support China Altogether" advertising and marketing campaign for the event has consolidated ANTA's symbolic role for China's sports industry. As the awareness of the public to the upcoming Guangzhou Asian Games is increasing, we have launched a series of promotional campaigns including the Winning Outfit Design Competition for the CSD. The alliance with the COC and its online media partner, Sina, in forming the "ANTA • China Sports" channel provides an excellent opportunity for ANTA to maximise our marketing effectiveness and brand equity through a better cultivation of the COC's sponsorship rights.

The Group optimises our sponsorship and endorsement resources to maximise our reach to target customers. We have rolled out eye-catching events to bring ANTA closer to basketball lovers. The "I Love CBA" marketing campaign for the 2009/10 regular season and the CBA All-star Weekend has boosted both the sales and popularity of featured basketball sportswear. NBA star Luis Scola's interactions with basketball fans during his China tour also helped heat up the enthusiasm for the sport in China. Meanwhile, we have also launched more value-added products with enhanced functionality and design to respond to the increasingly sophisticated tastes of consumers. The upgraded A-Jelly running shoes were sold out soon after the launch of the featured TVC. Leveraging on our comprehensive sponsorship resources and quality products, we have reinforced consumers' brand loyalty, and thus underlain our leading position in the mass market.

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Last update : 16 Aug 2010





# GOING BEYOND ONESELF



Investor

## ? What are the Group's views on China's economic and sportswear market outlook?

2010-08-15 20:20



Chairman

Benefited by the Chinese government's prompt and effective measures, China's economy has seen a relatively speedy recovery. The sportswear industry has

also steadily grown amid increased domestic consumption, thanks to the government's stimulus package. Besides, the Group sees promising growth potential in the mass sportswear market. Both the number of affordable consumers as well as per capita consumption are increasing as the government continues to support urbanisation and the sports infrastructure development. Rising income level of urban population also adds to the potential of the market.

2010-08-16 20:20

## How does the Group capture the market potential through its network?

We have expanded the nationwide distribution network to over 7,000 ANTA stores with a strategic focus on second and third tier cities to tap the tremendous market potential. Emphasising on ANTA's healthy sustainable growth, the Group continues to refine our network management system and work closely with our distributors to monitor and enhance store efficiency and profitability. We also organise various interactive activities at key ANTA stores and provide standardised POP materials to ensure that our branding activities can be effectively translated into prominent retail performance. Meanwhile, Sports Lifestyle series and ANTA Kids stores have been expanding steadily to extend our reach to diversified segments. Through continuous efforts, we are pleased to be the top seller of travel and sports shoes in terms of market share for the ninth year in China.

## What are the Group's future strategies in order to emerge stronger from the race?

Seeing the growth momentum of the sportswear industry, the Group will further strengthen ANTA's position in the mass market by brand equity enhancement, distribution network expansion as well as product diversification. The Group will enhance Fila's brand recognition, product offering and network coverage so as to extend our reach to the high-end market. By leveraging the Group's strength in terms of brand, supply chain and distribution network management, we are confident that the Fila business in the PRC will become another growth driver for the Group.

Looking ahead, the ongoing industry consolidation is likely to accelerate to the advantage of big players, who are enjoying a lead in brand and product differentiation. In August, the Group has added to the endorsement list a renowned NBA superstar, Kevin Garnett, and built the strongest portfolio of top-tier basketball sponsorships and endorsements in China. Following his successful debut with ANTA during his China tour, Kevin Garnett will compete in ANTA basketball shoes in the coming NBA season. His designated basketball series "KG" and related promotional campaigns will be rolled out to focus consumers' attention on our brand. The Group will match up the Asian Games and launch a series of nationwide promotions and roadshows, particularly in Guangzhou, to enhance the public awareness of ANTA and reinforce our brand position in representing China's sports industry. Furthermore, the Group will continue to enhance the value of products and expand our product offerings by applying innovative technologies and new fabrics. In order to optimise our operational efficiency, our management and risk control systems will undergo regular upgrades. Comprehensive measures will also be strengthened to counteract cost inflationary pressure.

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, customers and business partners for their continued support. My thanks also go to the Board members, management and all of our staff for their dedication and hard work.





anta\_interim\_report\_2010/zheng\_jie\_and\_jelena\_jankovic



Zheng Jie and Jelena Jankovic



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**Zheng Jie and Jelena Jankovic were semi-finalists of the 2010 Australian Open and French Open respectively.**



**ANTA**  
Webcast





**Board**

**Executive Directors**

Ding Shizhong (Chairman)  
Ding Shijia  
Lai Shixian  
Wang Wenmo  
Wu Yonghua  
Zheng Jie

**Independent Non-Executive Directors**

Yeung Chi Tat  
Lu Hong Te  
Dai Zhongchuan

**Company Secretary**

Ling Shing Ping *FCCA FCCA*

**Board committees**

**Audit Committee**

Yeung Chi Tat (Chairman)  
Lu Hong Te  
Dai Zhongchuan

**Remuneration Committee**

Ding Shizhong (Chairman)  
Lu Hong Te  
Dai Zhongchuan

**Nomination Committee**

Lu Hong Te (Chairman)  
Yeung Chi Tat  
Lai Shixian

**Authorised representatives**

Lai Shixian  
Ling Shing Ping

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Grand Cayman KY1-1111  
Cayman Islands

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

**Head offices in the PRC**

**Jinjiang**

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

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

**Share registrars and transfer offices**

**Cayman Islands Principal Registrar**

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

**Hong Kong Branch Registrar**

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

**Legal adviser**

Norton Rose Hong Kong

**Auditors**

KPMG

**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





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ANTA News Centre



# ANTA NEWS CENTER

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## Sponsored the "24th Olympic Day Run" as Part of China's "Sports for All" Campaign

19 June 2010

ANTA Sports collaborated with the COC to promote the "Sports for All" movement and the Olympic spirit in 9 cities through the "24th Olympic Day Run" event, drawing nearly 20,000 long-distance runners onto the streets.



## NBA Star Player Luis Scola Glittered on ANTA Sports China Tour

29 May to 5 June 2010

ANTA Sports' endorsed player Luis Scola headlined the "Road to Glory" inter-cities tour to Beijing, Harbin, Shanghai, Nanjing and Guangzhou to promote the sport of basketball. During the tour he not only coached younger players on basketball skills but also shared with his fans his growth journey.



## "ANTA • China Sports" Channel Launched on Sina

20 May 2010

ANTA Sports partnered with the COC and its online media partner, Sina, to launch the "ANTA • China Sports" channel, marking the beginning of closer cooperation among the 3 parties on a wide range of marketing and sporting initiatives.



# ANTA NEWS CENTER

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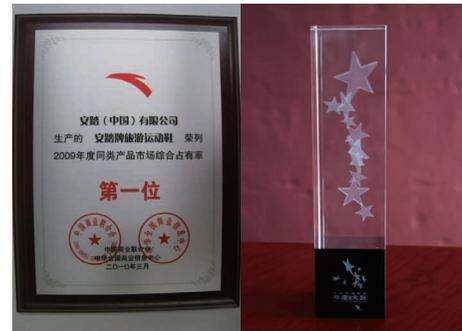
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## Enhanced Cooperation Between the COC and ANTA Sports

*April and May 2010*

ANTA Sports co-organised an award ceremony with the COC to unveil the winning design of the “Glittering Chinese Flames Together—ANTA Outfit Design Competition for the CSD at the Guangzhou 2010 Asian Games”. The Group also partnered with the COC in the “26th China International Sporting Goods Show” in Beijing to showcase the latest sportswear designed by ANTA for the CSD.



## ANTA Sports Captured 2 Awards on Market Share and Branding

*March 2010*

ANTA Sports was the top travel and sports footwear company for the ninth straight year according to a composed index on market share compiled by the China General Chamber of Commerce and the China National Commercial Information Center. The Group was also the only sportswear company to have won the “Best Value Award” in the “6th China National Garment Association Award 2009”. These awards serve to highlight ANTA Sports’ preeminent market position in the industry.



## ANTA Sports Endorsers Achieved Best Ever Results in Vancouver 2010 Winter Olympic Games

*February 2010*

ANTA Sports’ endorsed athletes, including Shen Xue, Zhao Hongbo and Zhou Yang, won 3 gold and 2 silver medals in the Winter Olympic Games. Their success added to the CSD’s best ever performance in the Games with a tally of 5 gold, 2 silver and 4 bronze. Members of the CSD were dressed by ANTA Sports for the opening ceremony.



anta\_interim\_report\_2010/shen\_xue\_and\_zhao\_hongbo



Shen Xue and Zhao Hongbo



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**Shen Xue and Zhao Hongbo won China's first ever gold medal in pairs figure skating in the 2010 Winter Olympic Games.**



**ANTA**  
Webcast





**TURNOVER**  
**RMB3,453.1**  
**MILLION**

supported by impressive growth in ASP and volume

**GROSS PROFIT MARGIN**  
**43.7%**

reflecting strong brand equity

**PAYOUT RATIO**  
**57.2%**

better returns to shareholders

### Financial Performance

- Turnover increased by 22.6% to RMB3,453.1 million
- Gross profit margin increased by 2.2% points to 43.7%
- Profit attributable to equity shareholders increased by 25.0% to RMB760.2 million
- Margin of profit attributable to equity shareholders increased by 0.4% points to 22.0%
- Basic earnings per share has an increase of 24.8% to RMB30.50 cents
- Interim dividend of HK20 cents per share is proposed, making a payout ratio of 57.2% of the 2010 1H profit attributable to equity shareholders
- Free cash inflow increased by 36.9% to RMB735.5 million

### Operational Performance

- Number of ANTA stores reached 7,052, a net increase of 461 ANTA stores
- Total sales floor area of ANTA stores increased by 9.9%, to approximately 776,000 sq.m.
- Average sales floor area per ANTA store increased from 107 sq.m. to 110 sq.m.
- ASP (wholesale price) increased by 2.0% to RMB96.9 for footwear and increased by 7.1% to RMB49.6 for apparel
- Average cost of footwear sold decreased by 4.6%
- Volume increased by 9.3% to 18.0 million pairs for footwear and increased by 26.4% to 32.5 million pieces for apparel

### Cautionary Statement Regarding Forward-Looking Statements

This Interim Report 2010 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 uncertainties 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 "Management Discussion and Analysis".



### China's Economy Progresses on Right Path

The Chinese government has made an all-out effort to head off any negative impact from the global financial crisis on its economy in the past year. The economic stimulus package has been effective in restoring market confidence and achieving a robust economic recovery in the first half of 2010. China's GDP maintained its brisk pace of growth at 11.1% to RMB17,284 billion. Per capita disposable income of urban residents also increased by 10.2% to RMB9,757. To avoid giving rise to asset bubbles, the Chinese government is expected to introduce measures to stabilise growth at a moderate pace. Both continuity and flexibility in policies will be pledged amid an uncertain global economic outlook.

To ease off any economic contraction risk in view of falling orders from Western markets, the Chinese government took steps to stabilise exports while implementing measures to spur domestic consumption in a bid to help the country transition from an export-led

economy to one that is domestically driven. Accordingly, national retail sales surged 18.2% in the first half of 2010. Of that, retail sales in the clothing sector increased by 23.8%. Furthermore, minimum wage increases in a number of provinces and persistent job creation have led to stronger consumer demand which will help fuel the uptrend in retail sales.

While the stimulus measures may boost domestic consumption, they may also increase inflationary pressures in China. The CPI and PPI rose 2.6% and 6.0% in the first half of 2010 respectively. It is generally expected that the indexes will continue to climb. Even so, the general public believes policymakers will strike a balance between encouraging robust economic growth and managing inflationary pressures by corresponding economic measures and macro-economic controls.

### Market Consolidation Favours Leading Brands in Mass Market

China's sportswear market has always been

competitive as most of the high potential markets. The development directions of key sportswear brands have been diverging in terms of market position, pricing strategy and geographic reach with the aim to better capture the market potential. Market competition has spurred the consolidation of the industry, favouring market leaders with better fundamentals such as solid capital resources, high brand recognition, effective network and strong R&D capabilities.

The mass market still offers tremendous growth potential because it has the most sizeable population in China. The continued urbanisation is expected to increase the number of consumers with higher purchasing power in second and third-tier cities. Higher wages will also spur per capita consumption. Consumers are likely to be more brand-oriented in the future and will demand branded sportswear products that offer even greater value for money.

**According to the State Council's guidelines on the sports industry invigoration plan, the Chinese government will enhance both the availability and utilisation of sports infrastructure to encourage the public to participate more in diversified sporting events. The upcoming Guangzhou Asian Games will also help promote the sustainable development of the sports undertaking and sportswear industry in China.**

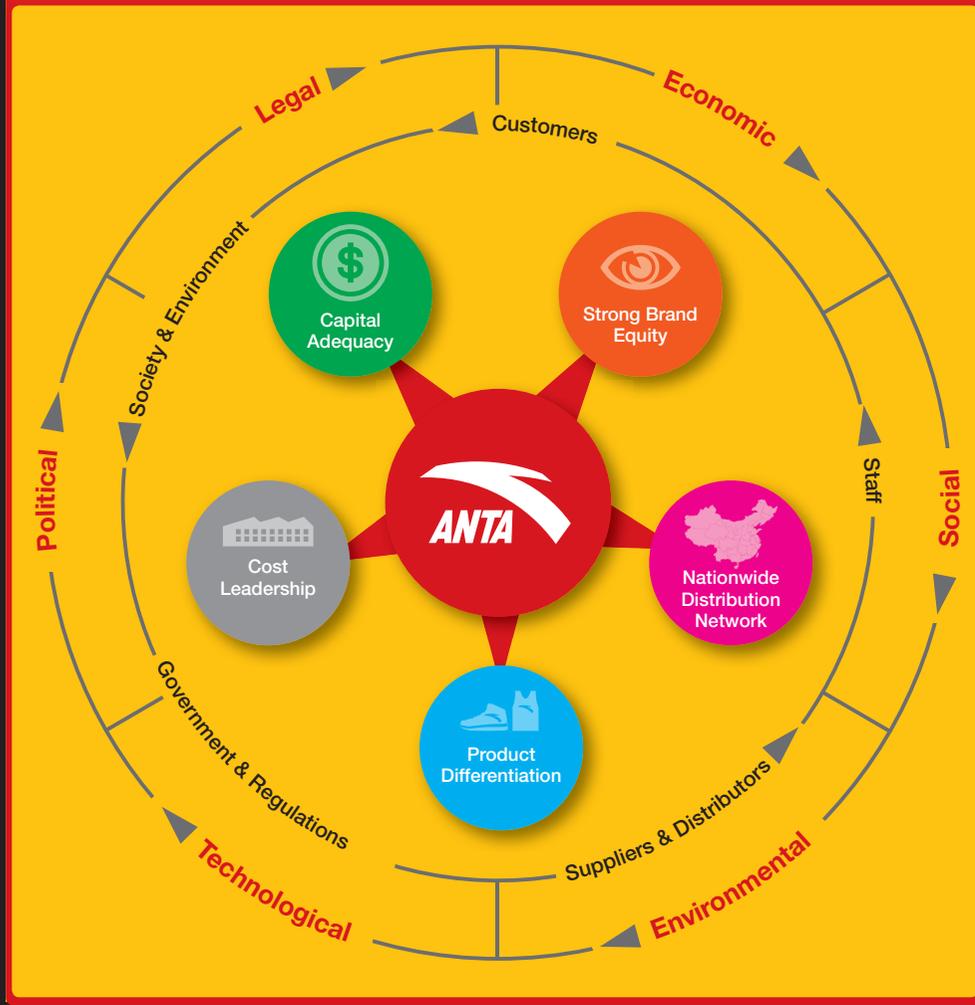
#### China's Economic Data

National Income	GDP	RMB17,284.0 billion	YoY ↑11.1%
Urban Residents' Income	Per capita disposable income	RMB9,757.0	YoY ↑10.2%
Consumption	National retail sales of consumer goods	RMB7,266.9 billion	YoY ↑18.2%
	Clothing sector (including sports footwear and apparel)	RMB275.4 billion	YoY ↑23.8%
Inflation	CPI	102.6 (2009 1H =100)	YoY ↑2.6%
	PPI	106.0 (2009 1H =100)	YoY ↑6.0%

Source: National Bureau of Statistics of China (as at 30 June 2010)

PEST and Competitive Advantages

PEST and Competitive Advantages



External Environment

Political

- Government's concern of citizens' health
- Promotion of sporting activities in schools

Economic

- Per capita disposable income growth rate
- Degree of urbanisation

Legal

- Compliance
- Health and safety

Technological

- Products' functionality
- Performance-based sportswear products
- Stylish and trendy sportswear products

Social

- Sports participation rate
- Consumers' taste and preference
- Individual expenditure on sportswear products

Environmental

- Protection and education
- Seasonality

Competitive Advantages

Strong Brand Equity

- Diversified sponsorship resources
- Brand internationalisation
- Nationwide brand recognition & awareness

Product Differentiation

- A wide range of product mix and lines
- Quality for setting national quality standards
- Strong alliance with designers and R&D institutes

Capital Adequacy

- Sufficient funding for future business development
- No bank or other borrowings

Nationwide Distribution Network

- Quick response to the market demand
- Wide spread of our network
- Effective management of distributors

Cost Leadership

- Enjoy economies of scale
- Highly efficient supply chain management
- Offer value-for-money products

Corporate Social Responsibility

- Corporate citizenship and public relations
- Close communication with stakeholders



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Vancouver 2010 Winter Olympic Games



The COC and ANTA Sports held the “Shined with Honour” event to celebrate the CSD’s outstanding performance and presented coloured skating boots to 3 pairs of ANTA endorsed figure skating athletes, Shen Xue and Zhao Hongbo, Pang Qing and Tong Jian, Zhang Dan and Zhang Hao.

The COC set up the first ever “Home of China” in Vancouver, a venue for the CSD athletes to get together with local and overseas media. ANTA sports also conducted interviews and activities in the “Home of China” during the Winter Olympic Games.

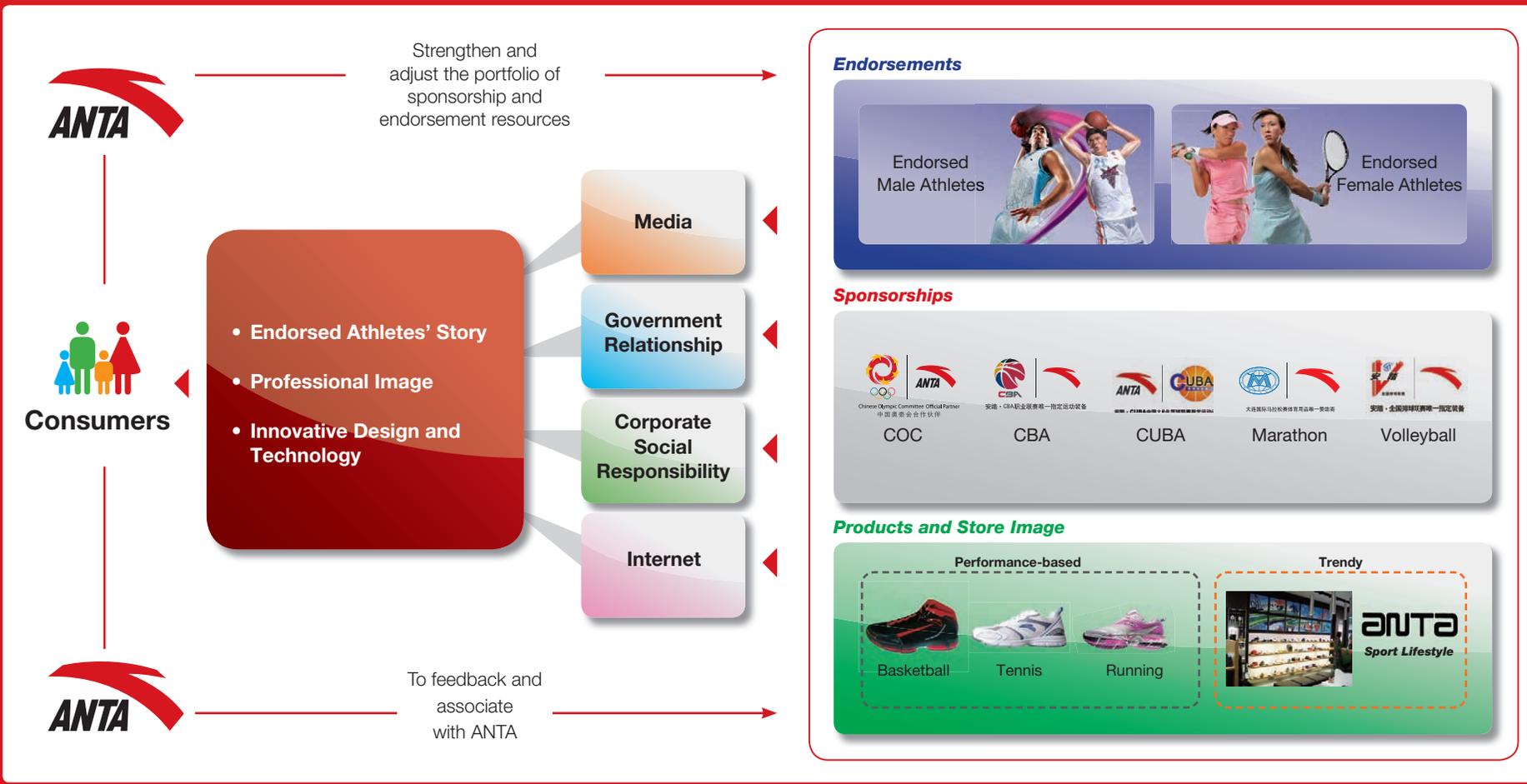


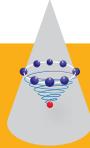
**ANTA Sports' endorsed winter athletes delivered exceptional performance in the Winter Olympic Games. Zhou Yang won the women's 1,500m short track speed skating gold medal while breaking the Olympic record by 2 minutes and 16.993 seconds. She also helped the national team claim the first ever gold medal in the women's 3,000m relay and broke new world record. Besides, Shen Xue and Zhao Hongbo won the first ever gold medal in pairs figure skating for China in the Winter Olympics while Li Nina won a silver medal in the women's freestyle aerial skiing.**





### Strategic Brand Management Model





## Brand Management

### Strong Brand Equity

As a result of rising affluence and growing purchasing power among the Chinese, consumer behaviour is gradually changing from mere price-driven consumption to become more and more brand conscious. Sportswear brands with strong fundamentals and solid resources are in a favourable position to attract and retain consumers in the evolving marketplace marked by heated competition. Through effective and focused brand building initiatives, ANTA has successfully established a professional image and secured strong nationwide brand recognition in the sportswear market.

### Brand Management Strategy

During the period, the Group has further integrated our exclusive endorsement and sponsorships resources, interactive promotion campaigns, outstanding store image and quality products to bolster brand value and sustain business growth.

- **Endorsements and Sponsorships**

Sports sponsorships and endorsements not only are the best ways to demonstrate the superior attributes of the products of any sportswear brand, they also help the brand bond with its target customers. Therefore, ANTA

Sports has entered into exclusive sponsorships with elite athletes, influential sports associations and top-tier leagues to enhance our professional brand image and customer loyalty. The strategic partnerships with the COC and CSD are shining examples of how the strategy has advanced our brand differentiation, particularly in associating ANTA as “the representative of China’s sports industry”. We have strategically directed marketing resources to 3 core product segments: basketball, tennis and running, to echo our product diversification strategy and enhance the brand association with the key sports areas.

- **Advertising and Promotional Campaigns**

ANTA Sports is renowned for integrating sports sponsorship resources and events with different promotion channels to maximise exposure to target audience. In addition to the use of creative TVC and advertisements, the Group also leverages the rising popularity of Internet marketing and brand website to establish closer links with consumers. Furthermore, the Group has strengthened our in-store marketing events and activities capabilities to reinforce the interactions with consumers and our leading position in various local markets.

- **Store Image**

Smart and consistent store image is a key component of the brand’s professional image. ANTA Sports closely monitors the image and display of retail stores to ensure consistency with the brand’s ideology and strengthen our brand desirability. Promotional materials such as in-store posters are standardised to highlight the marketing theme and characteristics of each season’s collection of products.

### Chinese Olympic Committee

Being the exclusive “Sportswear Partner of the COC” and the “Official Partner of the CSD” from 2009 to 2012, ANTA Sports spares no effort in providing best quality sportswear to the CSD in major international competitions. In February 2010, China sent out the largest delegation ever to the Vancouver Winter Olympics, who returned with record success in China’s winter sports history of 5 gold, 2 silver and 4 bronze medals. ANTA Sports was very glad to see our endorsed winter sports athletes achieved excellent results, winning 3 gold and 2 silver in the event. Pair figure skaters Shen Xue and Zhao Hongbo, and short track speed skating star Zhou Yang rightfully earned the medals with their years of hard work and a never-give-in attitude in the face of heated competition which typify the spirit of ANTA Sports. The significance of having the CSD dressed in ANTA sportswear in the opening,



### Brand Management



closing and award ceremonies lies not only in the fact that it raised the brand's international profile. More importantly, the sponsorship establishes ANTA as the representative of China's sports industry.

To further enhance brand association with the COC and to arouse public interest in the Winter Olympics, ANTA Sports launched a series of TVC and marketing campaigns with the theme "Support China Altogether". We also supported the first ever "Home of China" in Vancouver, a venue for the CSD to get together with local and overseas media and to celebrate the CSD's exceptional performance in the Winter Olympics. Furthermore, the Group brought consumers closer to the COC by displaying the sponsored sportswear in ANTA stores and providing instant updates of the Olympic Games in the brand website and "An Town" (<http://anta.qq.com>).

Meanwhile, the Group has received overwhelming responses to the "Glittering Chinese Flames Together — ANTA Outfit Design Competition for the CSD at the Guangzhou 2010 Asian Games". Winners of the competition were announced on 26 April. The design concept of the winning team will be illustrated in the CSD outfit in the upcoming Guangzhou Asian Games. On 20 May, ANTA Sports partnered with the COC and its online media partner Sina, to launch

"ANTA • China Sports" channel (<http://sports.sina.com.cn/others>). The cooperation enables ANTA Sports and Sina to leverage the COC resources to maximise the effectiveness of the sponsorships and exposure.

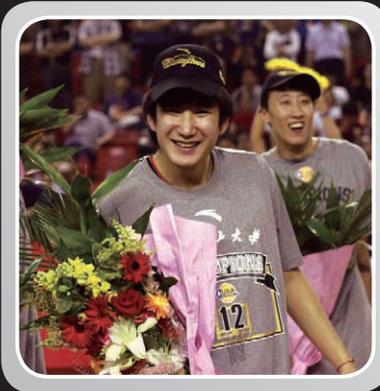
### Basketball

ANTA Sports is dedicated to building the most solid sponsorship and endorsement portfolio in China to enhance the brand association with basketball and to sustain our leading position in this segment. Through the sponsorship of CBA, the top-tier national league, and CUBA, the most influential leagues among universities, as well as HOOPARK, a popular basketball infotainment show on CCTV5 and various NBA and CBA endorsers, the Group is able to reach out to basketball fans of all walks of life.

During the period, ANTA Sports launched interactive marketing campaigns such as "I Love CBA" All-star Weekend event, CBA champion online blessing, "CBA — the Future Star" training camp and CUBA training participants voting to increase the participation rate of the basketball. Meanwhile, the Group continues to provide the best gear for our endorsed NBA and CBA players and bring them closer to their fans. Our NBA endorsed player, Luis Scola of Houston Rockets, met his supporters in



## Brand Management



Beijing, Harbin, Shanghai, Nanjing and Guangzhou during his second China tour. Apart from fans gathering, Luis Scola also shared his basketball experience and coached young basketball players in the CUBA training camp and took part in earthquake relief activities. He also joined an event co-organised by ANTA Sports and CCTV5 "HOOPARK" — "Towards the Top — Basketball Rookies Tryouts" to promote basketball in China.

The Group has also launched the "grand basketball corner" in key stores with smart display for basketball product series to enhance fans' shopping experience.

### Running

Running series has always been the most popular and best-selling product category, which has helped ANTA extend our lead in the mass sportswear market. During the period, the Group continues to be the sole sponsor of equipment and sportswear for the Dalian International Marathon and the Yangzhou Jianzhen International Half-Marathon. The Group also endorses Chen Rong, woman marathon runner who has won the 2010 Dalian International Marathon championship. In June, ANTA Sports sponsored the "Olympic Day Run" following last year's success. This event drew out

nearly 20,000 runners in 9 cities to celebrate the birth of the Olympics and to promote the popularisation of the "Sports for All" movement. In addition, the Group continues with the integration of TVC, in-store marketing campaigns, online games and website (<http://anta.youku.com/>) which has raised public awareness of the latest shock absorbance technology, A-Jelly running shoes, and boosted the sales performance.

### Tennis

The endorsement of the world's leading female tennis players, Zheng Jie and Jelena Jankovic, and the corresponding marketing initiatives launched last year have built a solid foundation for ANTA in the female tennis market. The 2 endorsers continue to wear ANTA sportswear in important tournaments and have achieved stunning results. Zheng Jie made history in Chinese tennis when she became the first Chinese player to have reached the semi-final of Australian Open 2010. It was also her personal best in this competition. She also won her 12th career doubles title at Malaysian Open 2010. Jelena Jankovic clinched victory in the BNP Paribas Open 2010, winning her 12th career singles title in professional tournaments. She also reached the semi-final at 2010 French Open. Their excellent performances have not only helped raise the brand's exposure and credibility but also the popularity of the expanded tennis product series.



## Distribution Network



### ANTA MAP

Eastern region

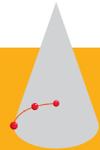
Southern region

Northern region

Hunan, Hubei, Anhui, Jiangxi, Zhejiang, Jiangsu and Shanghai.

Guangdong, Guangxi, Fujian, Hainan, Guizhou, Yunnan, Sichuan, Chongqing and Tibet.

Beijing, Hebei, Inner Mongolia, Shanxi, Henan, Shandong, Gansu, Ningxia, Qinghai, Tianjin, Xinjiang, Shaanxi, Liaoning, Heilongjiang and Jilin.



### Distribution Network

#### ANTA Brand in China Market

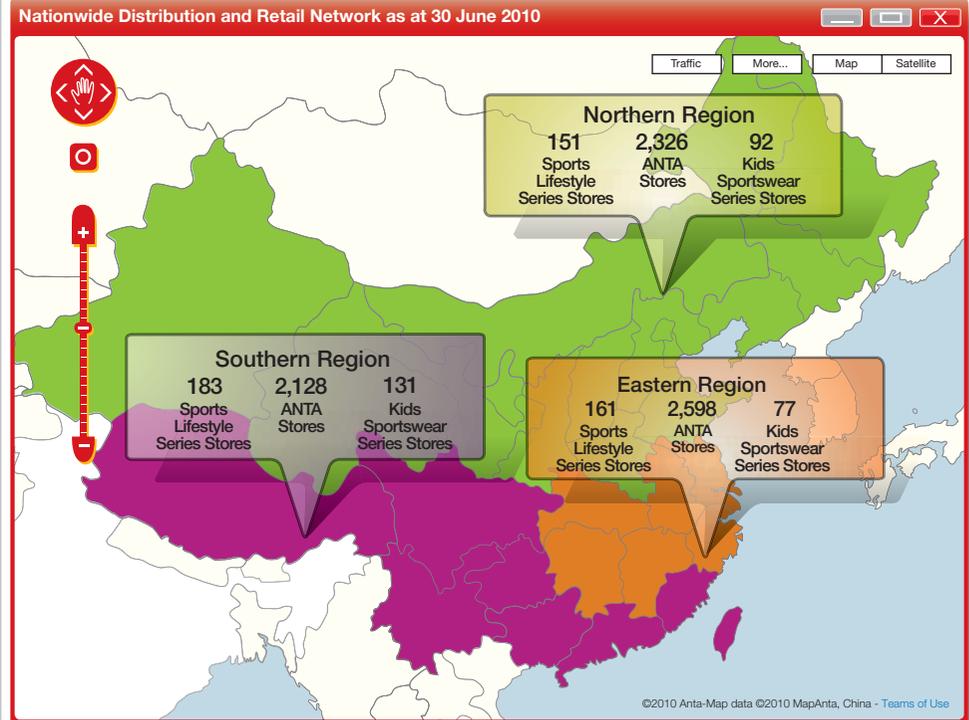
To match with our mass market position, ANTA Sports has over the years built a nationwide distribution network with a leading presence in second and third tier cities. This also helps us capture the booming demand arising from urbanisation. ANTA Sports works closely with distributors and franchisees to expand and penetrate into areas with high growth potential. An effective management system has been put in place to monitor and maximise store efficiency, size and location as well as profitability at retail level to ensure the healthy development of network. In addition to performance-based sportswear series, the Group also offers Sports Lifestyle series and Kids sportswear series to cover the full spectrum of the sportswear market.

- **Extensive ANTA Retail Network**

- *Performance-based Sportswear Series*

During the period, the Group continues to strategically expand the network by opening stores of optimal size at prime locations. As at 30 June 2010, the Group managed the nationwide distribution network through over 50 regional distributors. The number of ANTA stores increased by 461 to 7,052 (end of 2009: 6,591). Total sales floor area and average sales floor area per store were approximately 776,000 sq. metres and 110 sq. metres respectively. Riding on the growing popularity of e-shopping among young people, the Group launched the official online flagship store at taobao.com in April to capture the potential.

Print Route Near by Save as



- *Sports Lifestyle Series*  
Since its launch in late 2008, the Sports Lifestyle series has been particularly successful among the youth. The series emphasises a blend of sports and stylish elements under different themes. The “Wild Africa” series was launched to capture the feverish festive mood around the 2010

FIFA World Cup in South Africa. As at 30 June 2010, there were 495 Sports Lifestyle series stores (end of 2009: 343), representing a net increase of 152.

- *Kids Sportswear Series*  
Parents demand value-for-money kids’ sportswear products with high protection and comfort. In

**Distribution Network**

view of this, the Group further enriched the product mix of the Kids Sportswear series to enhance the brand exposure to children aged 8 to 14. As at 30 June 2010, there were 300 Kids Sportswear series stores (end of 2009: 228), representing a net increase of 72.

- Outstanding Store Image**  
 Consistent and smart store image helps enhance consumers' shopping experience. The Group standardises shop decor and display guidelines to ensure consistency of store image

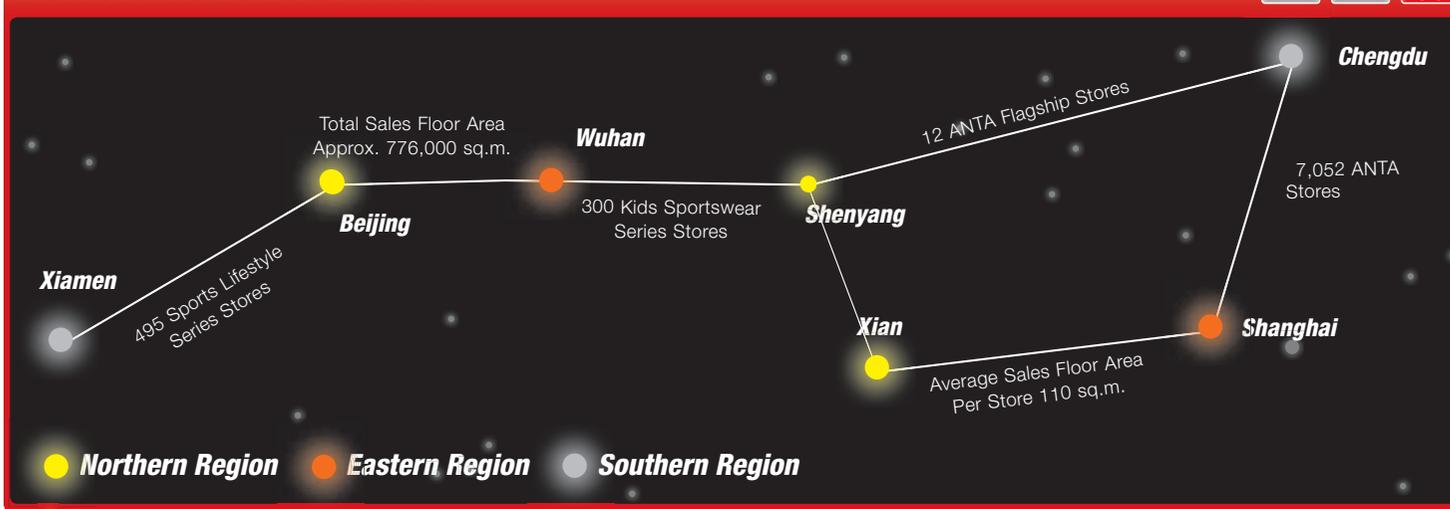
across the country. Meanwhile, new stores and refurbished stores are encouraged to comply with the fifth generation standard with better layout and product display to enhance store performance. As at 30 June 2010, fifth generation stores accounted for approximately 80% of the network. 12 ANTA flagship stores in key markets also add value to the brand image. To maximise the effectiveness of our marketing initiatives, the Group also launched the "COC licensed product corner" and "grand basketball corner" in key stores to display special product series.

- Close Relationship with Distributors and Franchisees**  
 ANTA Sports has developed a cohesive relationship with distributors and franchisees. We provide strong support to improve their profitability and operating efficiency, which in turn bolsters our mutually beneficial alliance. Our experienced sales teams, located across 3 regional centres and 7 branch offices, help us achieve better communication and nurture closer relationships with distributors and franchisees. For instance, the Group shares market analyses and updates with distributors and franchisees to facilitate knowledge sharing and enable

accurate ordering in quarterly trade fairs.

The Group closely evaluates each store opening proposal and monitors inventory sell-through and store performance. The Group also provides guidelines to standardise operational procedures, customer service benchmarks and training. Furthermore, the Group optimises the stratified management system to encourage distributors to achieve various key performance targets and store efficiency. Through mysterious shopper's assessment, ERP system and weekly reports submitted by POS, the Group is able to exercise stringent supervision on POS. The measures also enable us to promptly analyse, assess and monitor retail performance and inventory level which improve our responsiveness to market change.

**Distribution Network & Structure**

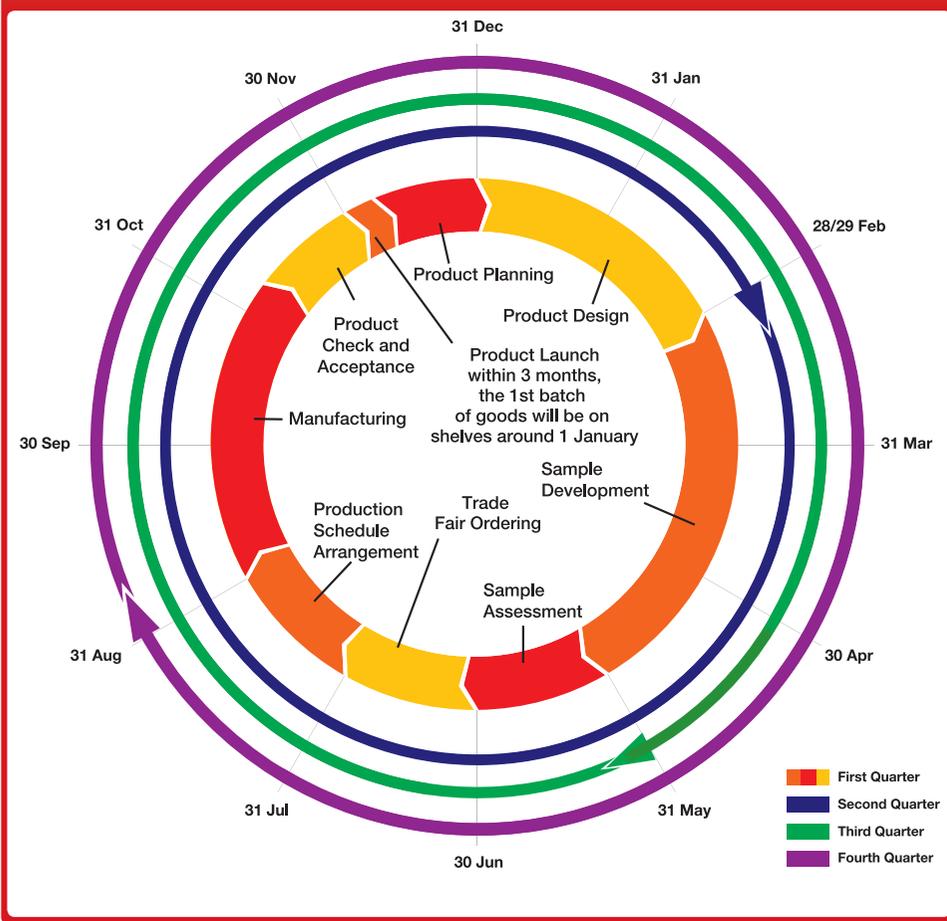


**ANTA Brand in Overseas Markets**

While we are highly focused on the fast-growing Chinese market, we have begun to gain a foothold in selected overseas markets which emphasise product quality and value-for-money. The Group's overseas distributors have opened ANTA stores and concessionary counters in Southeast Asia, Eastern Europe and Middle East. Leveraging our partnership with the COC, ANTA has been able to raise its international profile which helps lay a solid foundation for future growth in overseas markets.



### Cycle of Product Design, Production and Delivery



### Supply Chain Management

The recognition of 9-year top seller of travel and sports shoes in China reflects ANTA Sports' dedications to the continuous improvement in functionality and appeal of products while maintaining the best value for money. In order to meet the demand of consumers with rising affordability, the Group has further enhanced our product value and enriched the product offerings. To outperform in the market, it is important to differentiate from the competition while making sure we remain cost effective. Effective supply chain management helps maximise our flexibility and responsiveness to market changes. Moreover, the Group has further enhanced operational procedures to improve management efficiency.

We continue to strengthen our internal R&D team and collaboration with external professionals to improve R&D capabilities. We further improve our A-Jelly technology and apply existing technology to different products to enhance customers' satisfaction. (See the graph named "ANTA's Footwear Technology").

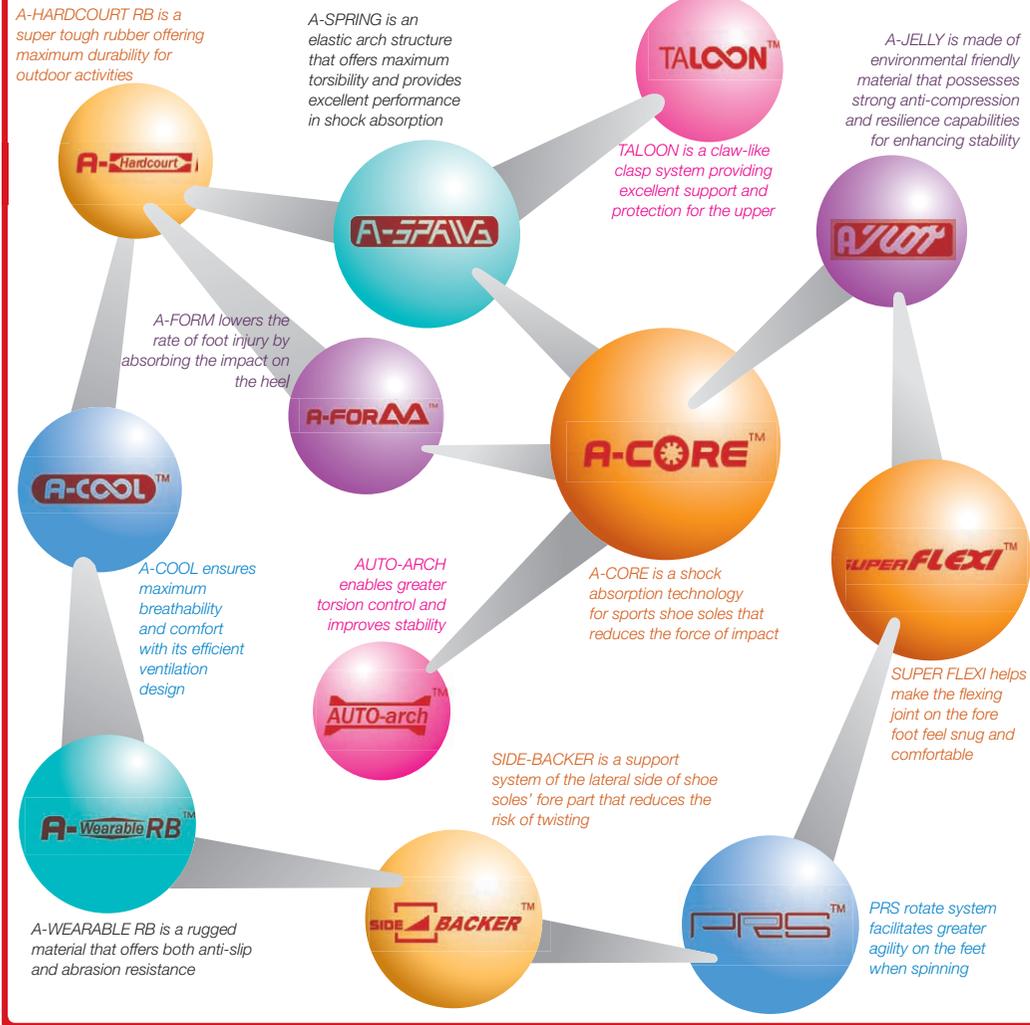
The Group is also concerned about social health and environmental perseverance. During the period, the Group collaborated with the Huntsman Corporation, an international chemical company, and applied an anti-bacteria technology on our apparel products. The new technology not only effectively suppresses the growth of harmful bacteria on sportswear to free the users from skin allergy, but also greatly enhances the comfort level by reducing the stickiness and odor. Furthermore, in support of a low carbon life concept, the Group makes use of organic, chemical-free cotton which is more friendly to the human body and the environment. More important, our co-operation with the COC and CSD has created a good opportunity for us to explore and experiment with cutting edge technology and fabrics. Such invaluable experience has enhanced our R&D, particularly in the area of customising new products to the mass market.

### Technological R&D

ANTA Sports identifies innovation and technology as our key to differentiate from others. The Group emphasises functionality and comfort since the product development stage as we believe all consumers deserve to have sportswear that offer maximum protection and comfort and are affordable.

Supply Chain Management

ANTA's Footwear Technology



Product Design

The taste of consumers has grown more sophisticated over the years. Increasingly they demand not only comfort and protection in sportswear, but also stylish and trendy designs. To increase our responsiveness to the market changes, ANTA Sports dedicates to optimise our design team to enhance the look and feel of sportswear products. The Group also collaborates with international design institutions from Japan, Belgium and United States to leverage on their expertise. Furthermore, the Group enhances the “ergonomic 3-dimensional cutting technology” to improve the body hugging feature on our apparel products. During the period, the Group introduced more than 1,700 new styles to footwear products, 2,000 to apparel and 1,000 to accessories, to meet the different tastes of customers.



Quality Control

Product quality is the core element of our success. The Group actively reinforces our product quality to align with national standards. We see quality control as a full spectrum process and the quality management team is involved as early as the product planning stage to ensure the stringent control throughout the whole manufacturing process. During the period, the Group continues to provide technical training, support as well as assessment to suppliers. We further optimised the simultaneous check system for raw materials with

OEM to identify and eliminate potential problems at the source. We also closely monitor the manufacturing process and the quality of finished products in our own factories and in suppliers' production facilities to ensure the quality of our products.



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Supply Chain Management



# ANTA ONLINE SHOPPING CENTRE

BUY NOW



**CBA Basketball Shoes**

Product Code: 1021121-4

Category: Basketball Series

On-sale Date: April 2010

BUY NOW



**Zheng Jie Designated Tennis Shoes**

Product Code: 2013332-1

Category: Tennis Series

On-sale Date: February 2010

BUY NOW



**Jelena Jankovic Designated Tennis Shoes**

Product Code: 2013333-1

Category: Tennis Series

On-sale Date: February 2010

Luis Scola Designated Basketball Shoes



Product Code: 1031103-1  
Category: Basketball Series  
On-sale Date: August 2010

BUY NOW

NOT FOR SALE



**CBA All-star Game Authentic Shoes**

Category: Basketball Series

Date Held: 21 March 2010

BUY NOW



**A-Jelly Running Shoes**

Product Code: 1025501-2

Category: Running Series

On-sale Date: May 2010

BUY NOW



**CBA All-star Game Basketball Shoes**

Product Code: 1011121-3

Category: Basketball Series

On-sale Date: February 2010

Hydrogen Running Shoes



Product Code: 1025580-3  
Category: Running Series  
On-sale Date: April 2010

BUY NOW



### Production Bases in Fujian Province



### Supply Chain and Operational Management

We see our suppliers as on-going business partners and offer them with strong support to help improve their operational efficiency and profitability. The Group provide suppliers periodicals and bulletins to facilitate knowledge sharing on product quality and supply chain management. In addition to offering workflow guidance and stratified supplier management system, the Group is also committed to improving its own procurement and management efficiency to help monitor materials costs. Such measures enhance our cost efficiency and our responsiveness to market changes.

### Production Capabilities

During the period, the Group strategically optimised the mix of our in-house and outsourced production to better meet customer demand and market changes in a more responsive manner. As at 30 June 2010, the Group operated 24 footwear production lines, 1 shoe sole production base and 2 apparel production bases in Fujian Province. During the period, approximately 7.3 million pairs of footwear and 4.5 million pieces of apparel were produced in-house, representing approximately 44.8% of footwear and 14.5% of apparel sold (2009 1H: 35.5% and 14.8% respectively). The graph sets out the details of the Group's production bases and the quantity of products manufactured during the period.



# THE GAME NEVER LOOKS THE SAME AGAIN

MIX OF ATHLETIC AND AESTHETIC, AUTHENTIC AND FASHIONS, ITALIAN AND COSMOPOLITAN





The "FILA" brand is a well-known global sportswear brand targeting the high end market segment. The acquisition represents a good opportunity for us to expand our coverage to the high end sportswear market in the PRC. The operation of Fila retail stores in Hong Kong and Macao is strategically important for extending the brand's reputation to the PRC market.

In order to raise the brand awareness and impact on the younger elite groups in the PRC high-end sportswear market, the Group is planning to rejuvenate and reposition Fila brand in China by launching a series of rebranding and marketing campaign to boost the brand recognition.

FILA stores with smart and refreshing display layout will be rolled out to impress trendy consumers in the first and second tier cities. As at 30 June 2010, the Group's distributors have been operating nearly 50 Fila outlets in major cities of the PRC and the Group has nearly 10 Fila outlets in Hong Kong and Macao.



Since the acquisition of the Fila Business in the PRC in 2009, the Group has integrated the PRC team and the Hong Kong team who have deep understanding of Fila brand together with Fila's worldwide resources and designers to form a strong product development team. In addition, the Group has also introduced OEM with extensive experience in serving international brands and

high-end customer markets to strengthen Fila's supply chain.

Through innovative design, luxurious materials, and attention to detail, the Group will mix the heritage of Fila design with the fashion elements taking into account the preferences and physical characteristics of Chinese consumers to offer a new look of Fila

products to the PRC market. The fall/winter brand new collections aligned with the new market position will be on shelves in the second half of this year.

With the above branding and product strategies and the strong management team, we believe that the Fila business in the PRC will become another growth driver for the Group.



## Financial Review

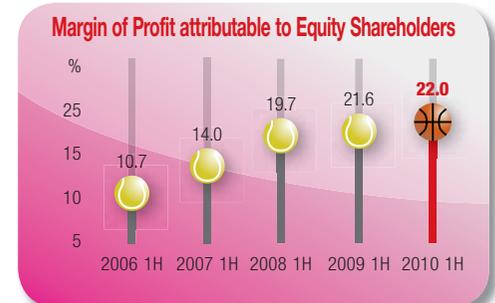
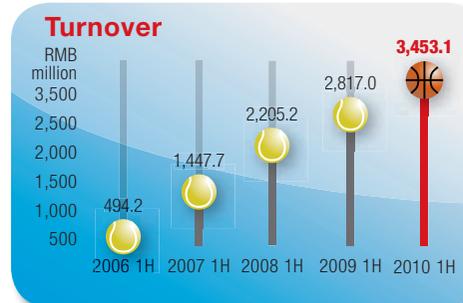


## Six months ended 30 June

	2010	2009	Changes
	<b>(RMB million)</b>	(RMB million)	(in %)
Turnover	<b>3,453.1</b>	2,817.0	↑ 22.6
Gross profit	<b>1,509.8</b>	1,169.1	↑ 29.1
Profit from operations	<b>894.8</b>	682.9	↑ 31.0
Profit attributable to equity shareholders	<b>760.2</b>	608.3	↑ 25.0
Free cash inflow	<b>735.5</b>	537.3	↑ 36.9
	<b>(RMB cents)</b>	(RMB cents)	(in %)
Earnings per share			
– Basic	<b>30.50</b>	24.43	↑ 24.8
– Diluted	<b>30.40</b>	24.39	↑ 24.6
Shareholders' equity per share	<b>213.03</b>	188.54	↑ 13.0
	<b>(HK cents)</b>	(HK cents)	(in %)
Interim dividend per share	<b>20</b>	12	↑ 66.7
	<b>(in %)</b>	(in %)	(in % points)
Gross profit margin	<b>43.7</b>	41.5	↑ 2.2
Operating profit margin	<b>25.9</b>	24.2	↑ 1.7
Margin of profit attributable to equity shareholders	<b>22.0</b>	21.6	↑ 0.4
Effective tax rate	<b>20.7</b>	14.3	↑ 6.4
Advertising and promotional expenses (as a percentage of turnover)	<b>12.0</b>	11.2	↑ 0.8
Staff costs (as a percentage of turnover)	<b>8.9</b>	8.4	↑ 0.5
R&D costs (as a percentage of cost of sales)	<b>2.9</b>	3.3	↓ 0.4

## As at 30 June

	2010	2009
	<b>(in %)</b>	(in %)
Average total shareholders' equity to average total assets	<b>82.0</b>	88.8
Return on average total shareholders' equity (annualised) <sup>(1)</sup>	<b>29.5</b>	26.7
Return on average total assets (annualised) <sup>(2)</sup>	<b>24.2</b>	23.7
	<b>(in 181 days)</b>	(in 181 days)
Average inventory turnover days <sup>(3)</sup>	<b>38</b>	43
Average trade receivables turnover days <sup>(4)</sup>	<b>17</b>	15
Average trade payables turnover days <sup>(5)</sup>	<b>37</b>	32



## Notes:

- (1) Return on average total shareholders' equity is equal to the profit attributable to the equity shareholders divided by the average balance of total shareholders' equity.
- (2) Return on average total assets is equal to the profit attributable to the equity 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 period.
- (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 period.
- (5) Average trade payables turnover days is equal to the average balance of trade payables divided by the cost of sales and multiplied by the number of days in the relevant period.

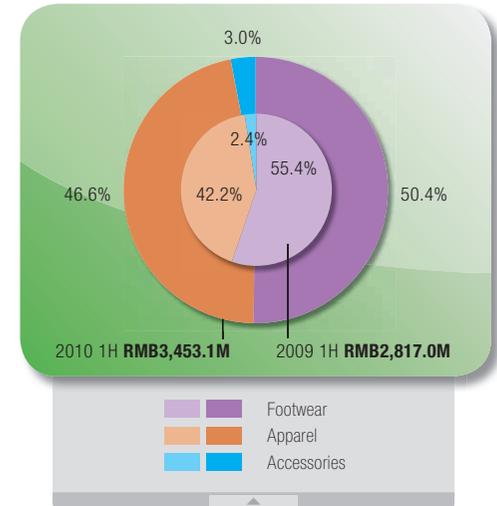
**Financial Review****Turnover Breakdown by Product**

The following table sets out the contribution to the turnover by product category for the financial period:

	2010		2009		Changes (in %)
	(RMB million)	(% of turnover)	(RMB million)	(% of turnover)	
Footwear	1,740.4	50.4	1,560.2	55.4	11.5
Apparel	1,610.2	46.6	1,188.3	42.2	35.5
Accessories	102.5	3.0	68.5	2.4	49.6
	<b>3,453.1</b>	<b>100.0</b>	2,817.0	100.0	22.6

During the financial period, turnover increased by 22.6% as compared with the same period in 2009 because of the increase in ASP, additional product offerings and expansion of the distribution network.

The share of apparel and accessories in sales increased from 44.6% for the first half of 2009 to 49.6% for the financial period. It reflected that our apparel design was well received by the market.

**Turnover Breakdown by Region**

The following table sets out the contribution to the turnover by region for the financial period:

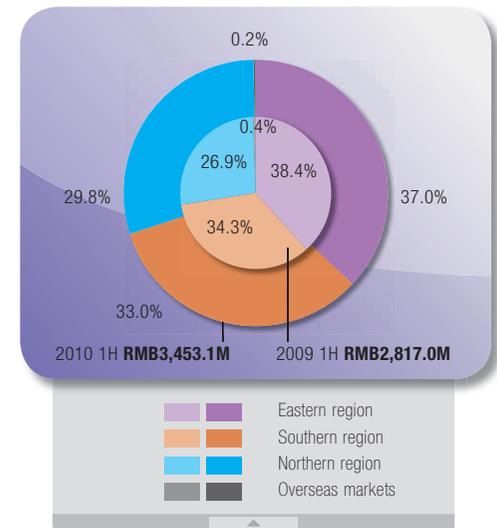
	2010		2009		Changes (in %)
	(RMB million)	(% of turnover)	(RMB million)	(% of turnover)	
Eastern region <sup>(1)</sup>	1,275.7	37.0	1,080.7	38.4	18.0
Southern region <sup>(1)</sup>	1,140.4	33.0	965.3	34.3	18.1
Northern region <sup>(1)</sup>	1,028.6	29.8	758.0	26.9	35.7
China market	3,444.7	99.8	2,804.0	99.6	22.8
Overseas markets <sup>(2)</sup>	8.4	0.2	13.0	0.4	(35.4)
	<b>3,453.1</b>	<b>100.0</b>	2,817.0	100.0	22.6

Notes:

(1) For details of region coverage, please refer to page 18.

(2) Overseas markets include Eastern Europe, Middle East and Southeast Asia.

The increase in turnover in the northern region was notable because of our continuous effort to balance the business among regions and to lessen the seasonality effect on our supply-chain.



Financial Review

Analysis of ASP, Volume and Average Costs

The following table sets out the ASP, the volume and the average costs of footwear and apparel sold respectively for the financial period:

	2010			2009			Changes		
	Total number of units sold (thousand)	ASP (RMB)	Average costs (RMB)	Total number of units sold (thousand)	ASP (RMB)	Average costs (RMB)	Total number of units sold (in %)	ASP (in %)	Average costs (in %)
Footwear	17,960	96.9	52.0	16,431	95.0	54.5	↑ 9.3	↑ 2.0	↓ 4.6
Apparel	32,474	49.6	29.2	25,700	46.3	27.7	↑ 26.4	↑ 7.1	↑ 5.4

Notes:

- (1) We do not include details of the ASP, the volume and the average cost of the accessory products because we have a broad range of accessory products that vary significantly in terms of unit price. We believe that a unit-based analysis of this product category is not meaningful.
- (2) ASP represents the turnover for the financial period divided by the total number of units sold during the financial period. Average cost represents the cost of goods sold for the financial period divided by the total number of units sold during the financial period.

ASP ↑

- Increase in consumers' disposable income, demand on sportswear 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 ASP.

Volume ↑

- 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 financial period, 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.

Average Cost (Footwear) ↓

- Expansion of capacity in shoe sole factories;
- 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 Cost (Apparel) ↑

- Expansion of our design team and further upgrade of product offering.

ASP



Volume (Footwear)



Volume (Apparel)



Average Cost



## Financial Review

### 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 financial period:

	2010		2009		Changes (in %)
	(RMB million)	(% of cost of sales)	(RMB million)	(% of cost of sales)	
<b>Six months ended 30 June</b>					
Self-production					
Raw materials	287.2	14.8	189.5	11.5	51.6
Direct labour	144.9	7.5	120.1	7.3	20.6
Overhead	103.8	5.3	82.8	5.0	25.4
	535.9	27.6	392.4	23.8	36.6
Subcontracting arrangement					
Raw materials	141.5	7.3	106.6	6.5	32.7
Subcontracting charges*	123.3	6.3	89.6	5.4	37.6
	264.8	13.6	196.2	11.9	35.0
Outsourced production					
OEM/ODM	1,142.6	58.8	1,059.3	64.3	7.9
<b>Total</b>	<b>1,943.3</b>	<b>100.0</b>	<b>1,647.9</b>	<b>100.0</b>	<b>17.9</b>

\* The subcontracting charges stated in note 5 to the unaudited condensed consolidated interim financial statements included raw material processing fee. Such fee is included in the cost of raw materials in this analysis.

### Cost of Sales

The Group has adopted a subcontracting arrangement to meet with the increasing demand of distributors rather than only relying on OEM/ODM so that the Group is able to increase its lateral production capacity while maintaining control over several production processes.

### Gross Profit Margin

As the increases in ASP of footwear and apparel were greater than the respective changes in average costs, the gross profit margins for both products increased during the financial period.

### Other Revenue

Other revenue for the financial period mainly represented government grants of RMB8.1 million (2009: RMB11.5 million).

### Operating Expenses Ratios

The ratio of advertising and promotional expenses to turnover has increased by 0.8% points for the financial period but we have allocated relatively more budget on basketball and Asian Games in the second half of 2010. The ratio of staff costs to turnover has increased by 0.5% points for the financial period as our management team has further expanded to meet the growth of the business and more staff benefits have been provided. The ratio of R&D costs to cost of sales has decreased by 0.4% points but relatively larger budget will be spent in the second half of 2010.

### 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 financial period:

	2010		2009		Changes in gross profit margin (in % points)
	Gross profit (RMB million)	Gross profit margin (in %)	Gross profit (RMB million)	Gross profit margin (in %)	
<b>Six months ended 30 June</b>					
Footwear	806.8	46.4	664.2	42.6	3.8
Apparel	660.6	41.0	476.7	40.1	0.9
Accessories	42.4	41.4	28.2	41.2	0.2
<b>Overall</b>	<b>1,509.8</b>	<b>43.7</b>	<b>1,169.1</b>	<b>41.5</b>	<b>2.2</b>

## Financial Review

### Operating Profit Margin

Operating profit margin increased by 1.7% points which is lower than the 2.2% points increase in the gross profit margin for the financial period, mainly due to the increase in advertising and promotional expenses from 11.2% of turnover in the first half of 2009 to 12.0% in the financial period.

### Net Finance Income

The increase in interest income was mainly due to more RMB deposits being placed.

### Effective Tax Rate

Effective tax rate increased from 14.3% in the first half of 2009 to 20.7% mainly because of the following:

- Certain subsidiaries in the PRC which were entitled to either tax exemption or a lower preferential tax rate in 2009 have been subject to a higher preferential tax rate since 1 January 2010; and
- Distributions of the earnings accumulated since 1 January 2008 of a foreign-invested enterprise in the PRC to a Hong Kong incorporated investor is subject to a dividend withholding tax of 5%. The Group has estimated the amount of future dividends that are likely to be distributed by these foreign-invested subsidiaries. Accordingly, deferred tax liabilities were recognised in respect of the dividend withholding tax for the financial period.

### Margin of Profit attributable to Equity Shareholders

Margin of profit attributable to equity shareholders increased by 0.4% points which is lower than the 1.7% points increase in operating profit margin for the financial period, mainly due to the increase in the tax provision.

### Dividends

The Board has recommended an interim dividend of HK20 cents per ordinary share in respect of the financial period, representing a total payout of RMB435.1 million (2009: RMB263.5 million), or a distribution of 57.2% (2009: 43.3%) of the current period's profit attributable to equity shareholders.

### Liquidity and Financial Resources

As at 30 June 2010, the cash and cash equivalents of the Group amounted to RMB1,875.4 million (placement of fixed deposits held at banks with maturity over three months totalling RMB2,328.5 million was regarded as an investing activity), representing a decrease of RMB561.7 million as compared with the total cash and cash equivalents of RMB2,437.1 million as at 31 December 2009. However, the total cash and bank balance (including pledged deposits) was RMB4,213.5 million as at 30 June 2010 (as at 31 December 2009: RMB4,006.7 million), representing a 5.2% increase. This is mainly attributable to:

- Net cash inflows from operating activities amounted to RMB817.3 million,

representing improved management of working capital and outstanding operating results.

- Net cash outflows from investing activities amounted to RMB850.3 million, comprising mainly the net increase in placement of fixed deposits held at banks with maturity over three months by RMB768.5 million and capital expenditure amounting to RMB82.3 million.

- Net cash outflows from financing activities amounted to RMB499.4 million, mainly representing the payment of the final and special dividends in respect of the financial year 2009, offsetting with the cash proceeds on exercise of share options.

A table analysing the Group's free cash inflow for the financial period was disclosed below.

#### Six months ended 30 June

	2010 (RMB million)	2009 (RMB million)
Operating cash inflow	817.3	607.7
Capital expenditure	(82.3)	(72.5)
Others	0.5	2.1
Free cash inflow*	735.5	537.3
Cash and bank balances (including pledged deposits)	4,213.5	3,646.3

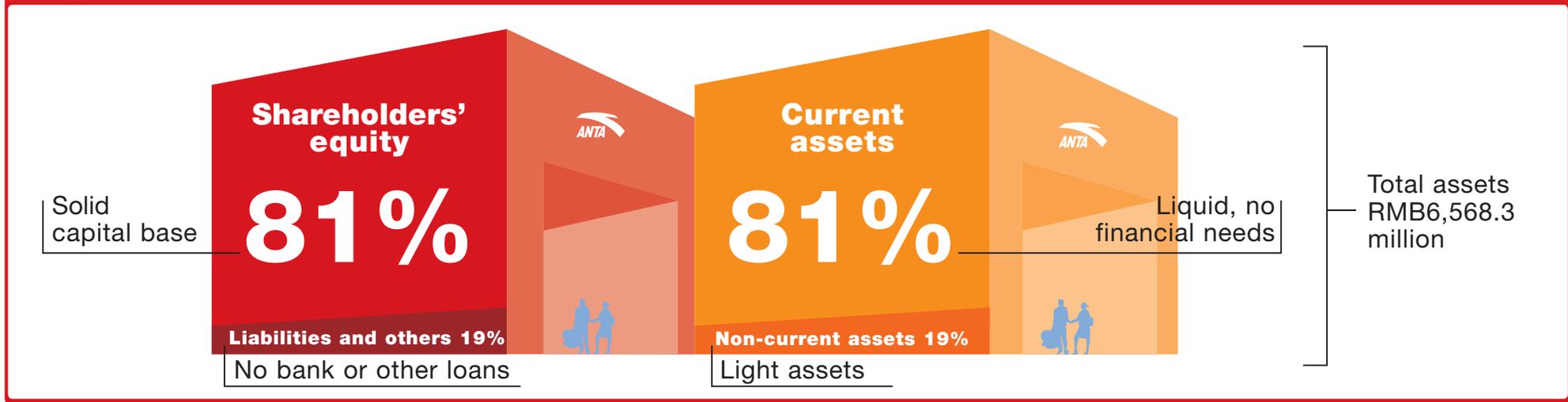
\* Free cash flow represents operating cash flow minus capital expenditure and others.

As at 30 June 2010, total assets of the Group were RMB6,568.3 million of which current assets were RMB5,332.9 million. Total liabilities and non-controlling interests were RMB1,256.8 million and total shareholders' equity amounted to RMB5,311.5 million. In addition, there were no outstanding bank loans, bonds or debentures.

Due to strong growth of profit attributable to equity shareholders, the annualised return on average total shareholders' equity increased from 26.7% for the first half of 2009 to 29.5% for the financial period and the annualised return on average total assets increased from 23.7% for the first half of 2009 to 24.2% for the financial period.



### Strong Financial Position



#### 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 has further improved, and the average trade receivables turnover days remained at a similar level when compared with the first half of 2009.

#### Pledge of Assets

As at 30 June 2010, the Group had bank deposits of RMB9.6 million pledged (as at 31 December 2009: RMB9.6 million) to secure bankers' documentary credits for certain construction projects.

#### Capital Commitments and Contingencies

As at 30 June 2010, the Group had capital commitments of RMB264.7 million, primarily relating to development of new information management systems and the establishment of an operational centre in Xiamen.

As at 30 June 2010, 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 are there 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 adopts internationally recognised corporate management standards to safeguard the interests of shareholders. As the functional currency of the Company is the Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidation purposes, foreign exchange differences arising from the translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transactions principally in Renminbi, the exchange rate risk at 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 financial period, 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 business so as to increase the returns on shareholders' equity.

Prospects

Following the robust rebound in China's economy, the Chinese government is expected to continue to drive economic growth by spurring domestic consumption. This has given rise to optimism for the Group in our outlook for the sportswear market. Urbanisation and the community's growing awareness of health issues are likely to create more room for network expansion. Wage rises and a better welfare system will also help boost the purchasing power and brand awareness of Chinese consumers. With our competitive strength, the Group is uniquely positioned to capture any opportunities stemming from the fast-growing sportswear mass market and to sustain the healthy development of our brand, supply chain and distribution network.

**Market and Product Diversification**

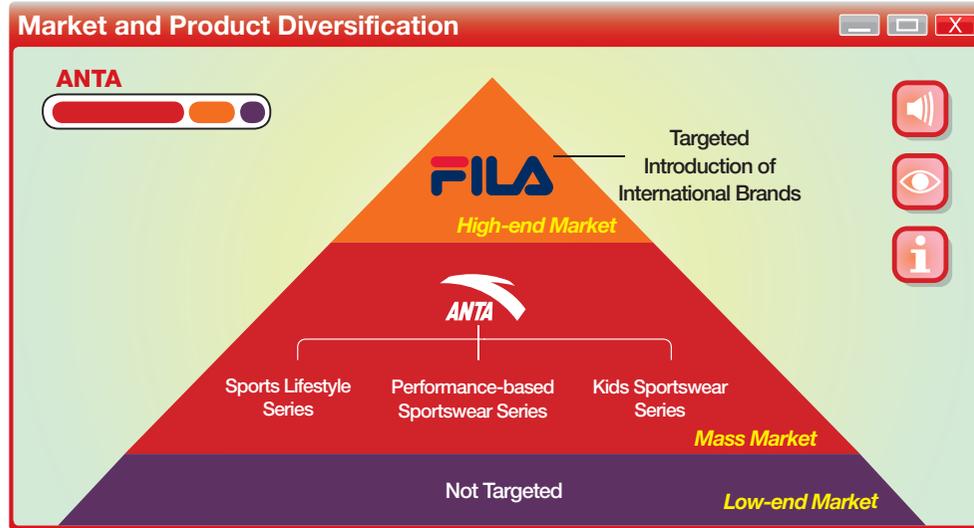
In order to meet the rising demand for value-for-money, branded sportswear products, we will continue to expand our product portfolio to better cater for customers' tastes and preferences. We will leverage our edge in R&D and design to offer more value-added products with better functionality to lift market share among consumers with rising purchasing power. We will also enhance our Sports Lifestyle series and Kids sportswear series to foster brand loyalty among the young people. Moreover, we will expand Fila business in the PRC to reach the high-end market through new product launch, network expansion and marketing campaigns.



**Sponsorship and Endorsement**

Over the past few years, the Group has made great strides towards assembling a strong portfolio of sponsorship and endorsement resources. Our partnerships with the COC and the CSD have enabled us to enhance our brand desirability by integrating sponsorship, advertising and interactive promotional events. The CSD's favourable response on the sportswear for the Vancouver 2010 Winter Olympic Games has stood us in good stead for providing even better gear in the Guangzhou 2010 Asian Games and the London 2012 Olympic Games. As the Asian Games is one of the largest sporting events in terms of scale and influence, it deserves more recognition worldwide, particularly in China,

the host country. The CSD is again expected to top the medal counts this year as it did in the past. The outstanding performances of Chinese athletes will provide significant exposure opportunities for ANTA's sportswear in victory ceremonies. A corresponding TVC and POP series will be rolled out to boost the awareness of the Games as well as sales, in addition to the launch of various interactive events to enable the public to experience the Games more fully. We will also strengthen the "COC licensed product corner" in ANTA stores across the country with a better display of the expanded range of COC-licensed sportswear products. The close relationship between the COC and ANTA will help us realise the goal of making our name synonymous with the Chinese sport industry.





### Prospects



There are countless of basketball enthusiasts and participants in China. That is why the Group has made the sport one of our key development priorities. On 1 August, the Group has added to the endorsement list a renowned NBA superstar, Kevin Garnett, whose long list of accomplishments include NBA Champion, NBA Most Valuable Player and NBA Defensive Player of the Year. Kevin Garnett is indisputably one of the greatest players of all time. His 9-time All-NBA, 10-time All-Defensive and 13-time All-Star Team selection offer all but a glimpse of his worldwide popularity. In a gesture to thank the fans for their support, a new "KG" basketball sportswear series will be launched

together with a marketing blitz of TVC and POP. In the coming NBA season, Kevin Garnett will be competing in basketball shoes tailor-made by ANTA Sports, which will help enhance our brand reputation and credibility. The Group is the exclusive sponsor of the most influential national leagues, the CBA and CUBA, as well as the popular TV show, "HOOPARK". With Kevin Garnett joining Luis Scola and other CBA endorsers, the Group has assembled the strongest portfolio of top-tier basketball sponsorship and endorsement resources in China in favour of our sustainability of development in long term.

### Expansion of Distribution Network

It is expected that the Chinese government's further push on domestic consumption and urbanisation will drive the expansion of population in lower tier cities. Our distribution network is well established in second and third tier cities, operating mainly in prime sites there. The Group cooperates with our regional distributors to explore new markets with high growth potential for penetration and expansion. We will continue to optimise the network to enhance the profitability and competitiveness of our distributors and franchisees. The Group will provide more effective retail management and staff training to further improve store efficiency and retail performance. Continual efforts will also be made to optimise our online store to attract a larger online customer group.

### Store Expansion Plan In 2010

ANTA stores  
**7,400**



Sports Lifestyle series stores  
**600**



Kids Sportswear series stores  
**350**



FILA stores  
**200**



### Enhancement of Product Differentiation and Operational Efficiency

Comfort, protection and functionality of sportswear products are keys to our success. The Group will continue to invest in internal and external R&D capabilities as well as quality control system to ensure the improvement of products in terms of core technologies, design and quality. To be more cost efficient and competitive, the Group proactively strengthens our supply chain and cost control management together with our suppliers, OEM and ODM partners. Moreover,

the Group strives to enhance our management, information technology and risk control systems for better execution of strategies and more timely communications.

Looking ahead, market competition of the sportswear industry in China will remain fierce. With our strong fundamentals, clear expansion strategy and effective execution capability, the Group's competitive advantages and leading position in the mass market will be further strengthened so that ANTA will gain a bigger market share in the process of industry consolidation.



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Zhou Yang



Loading... 80%

**Zhou Yang won the 1.5km short track speed skating, breaking world record and the 3km relay in the 2010 Winter Olympic Games.**



**ANTA**  
Webcast





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**Corporate Social Responsibility**



### Welcome to CSR Website:

**Community and Environmental Care** >>>

**Contribution to Industry** >>>

**Fulfilling Workplace** >>>

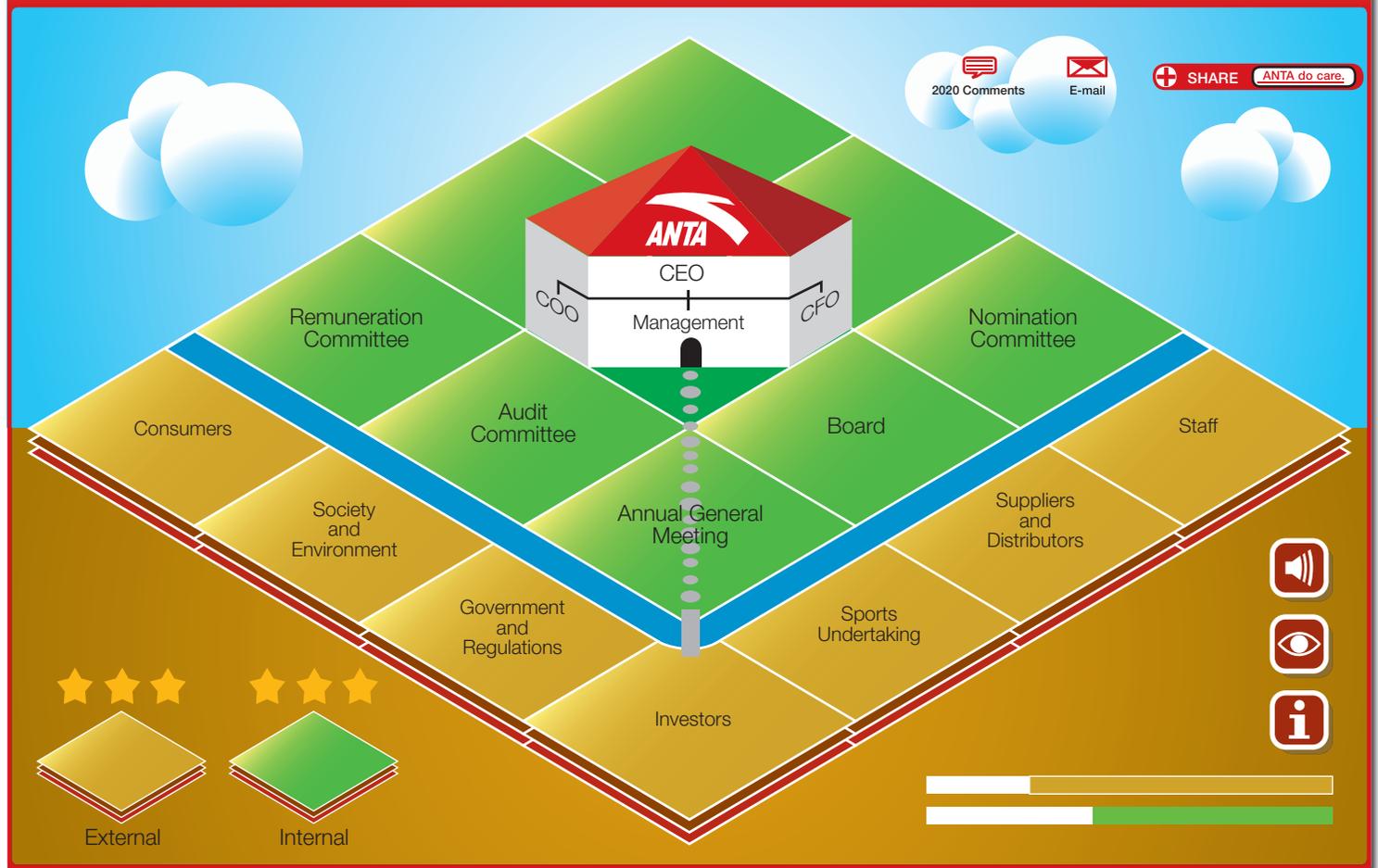
**Corporate Governance** >>>

### Search about ANTA

**Go**

Advanced Search

### CSR Web-Game





### Community and Environmental Care



#### Pledged Support to Bring Relief to Natural Disaster Victims

In April 2010, the Group and its staff donated over RMB2 million to the Jinjiang Charity Federation to help the victims of the Yushu earthquake in Qinghai. We also joined hands with the National Rowing Team and distributors to lend support to drought victims in Yunnan. Among our various donations included tons of drinking water and other supplies to school children as well as sports gear to improve their learning environment.

#### Endorsed Player Luis Scola China Tour to Promote Basketball

In May 2010, Luis Scola headlined various events in cities such as Beijing, Harbin, Shanghai, Nanjing and Guangzhou. The tour was aimed at promoting basketball through interaction with the public and fans. Luis Scola also visited the CUBA training camp in Beijing, where he coached young players and shared with

them his basketball experiences. He also took a dozen children from Yushu, Qinghai to the Shanghai World Expo where the kids received not only basketball skills coaching from Luis Scola but also gifts from ANTA Kids sportswear series.

#### Collaborated with World Champions to Promote Green Life

In April 2010, the Group supported the tree planting campaign — “Champion Forest” which was organised by the World Champion Federation in the Olympic Village in Beijing. On that day, world champion athletes such as Wang Liping, Li Nina and Zhang Nan along with ANTA representatives took part in the tree planting event, to show their commitment to environmental protection. The philosophy of the World Champion Federation is to promote the spirit of sport and make green charitable contributions, which are in line with our corporate culture.

### Contribution to the Industry

#### Keep Moving Spirit Ignited in the “24th Olympic Day Run”

As the exclusive sportswear partner of the COC, the Group sponsored the “24th Olympic Day Run” in June 2010 to promote the “Sports for All” movement. The event drew nearly 20,000 long-distance runners in 9 cities onto the streets to celebrate the birth of the Olympic Games. About 400 ANTA Sports’ staff took part in the event in Beijing and Xiamen to keep alive the Olympic spirit.



#### Participated in the “26th China International Sporting Goods Show” to Promote Industry Development

In May 2010, ANTA Sports and the COC joined hands in the “26th China International Sporting Goods Show” in Beijing to showcase the latest Olympic champions’ sportswear gears designed by ANTA Sports. This helped the audience bear witness to the glories of China’s sporting prowess and the Olympic spirit.



especially the younger ones, in various sports events and in the CUBA training camp, which go toward fostering the long-term sports development in China.

#### Nurturing Sport Talents to Boost Sports Undertaking Development

The Group has sponsored various sports leagues such as the CBA, CUBA and volleyball leagues to encourage public participation and to integrate the sports spirit of “Going Beyond Oneself” into peoples’ daily lives. In addition, the Group has provided sponsorship and support to Chinese athletes with strong potential,

#### Comprehensive Training for Distributors and Franchisees

We offer our distributors and franchisees various supports including the sharing of information and resources, and the provision of standardised display guidelines to assist store image upgrades. The Group also offers regular training to equip the distributors and franchisees with ordering, logistic and inventory management knowledge as well as product selling and customer service skills.



### Fulfilling Workplace

#### Creating an Excellent Working Environment

The Group offers comprehensive welfare programs including regular health checks and mental health seminars to ensure the physical and mental health of our staff. To help staff maintain a balanced work life, the Group frequently organises leisure and sports activities such as birthday parties, outings, badminton and soccer competitions, "Love • Sports Club", dance club, choir, yoga classes, movie shows and sports day. In terms of amenities, the Group provides tennis court, basketball court, leisure centre, gym facilities as well as canteens and living quarters to staff to contribute to a vibrant office and working environment.



#### Personalising HR Management

Our employees are the Group's most valuable asset. We offer competitive and fair remuneration to attract and retain staff. Moreover, the Group provides extensive training programmes including both hard and soft skill trainings on team building, management development, workplace safety and fire prevention. We also conduct periodic employee satisfaction survey to assess the effectiveness of the HR management system and to identify room for improvement. As at 30 June 2010, the Group had approximately 12,500 employees (end of 2009: approximately 13,300).



#### Cultivating a Corporate Culture of Excellence

ANTA Sports has put in place a set of well defined corporate culture and values which helps employees appreciate the Group's mission and vision. The Group regularly organises seminars and activities to reinforce the corporate culture and to enhance staff loyalty. Moreover, the Group periodically organises "Meet the Management" and "Care Programme for New Entrants" to encourage interaction and communication between staff and management.



### Corporate Governance



#### Corporate Recognitions

- ANTA Sports won 5 honours in the poll "2010 Asia's Best Companies — China" conducted by *FinanceAsia*. We were voted No. 1 in the "Best mid-cap" category in China and named a winner of the titles of "Best Managed Company", "Best Investor Relations", "Most Committed to a Strong Dividend Policy" and "Best Corporate Social Responsibility". ANTA Sports is the only Chinese branded sportswear enterprise ranked on the list.
- ANTA Sports was one of the winners of the "6th Corporate Governance Asia Annual Recognition Awards 2010" (China Group), which was organised by *Corporate Governance Asia*.
- Anta Sports nabbed 6 awards in the "Corporate Governance Poll 2009" by *Asiamoney*, which included the: "Best Overall for Corporate Governance", "Best for Disclosure and Transparency", "Best for Responsibilities of the Management and the Board of Directors", "Best for Shareholders' Rights and Equitable Treatment", "Best for Investor Relations" and "Best Investor Relations Officer".





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Luis Scola



**Luis Scola brought his career to new high with 44 points and 21 rebounds during the 2009-2010 NBA season.**

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**ANTA**  
Webcast





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

### Introduction

We have reviewed the interim financial report set out on pages 40 to 53 which comprises the condensed consolidated statement of financial position of ANTA Sports Products Limited as of 30 June 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim Financial Reporting*.

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

16 August 2010

**Condensed Consolidated Statement of Comprehensive Income**

For the six months ended 30 June 2010 — unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Turnover	3	<b>3,453,063</b>	2,817,022
Cost of sales		<b>(1,943,291)</b>	(1,647,968)
<b>Gross profit</b>		<b>1,509,772</b>	1,169,054
Other revenue		<b>15,656</b>	14,279
Other net (loss)/income		<b>(592)</b>	493
Selling and distribution expenses		<b>(502,154)</b>	(396,263)
Administrative expenses		<b>(127,860)</b>	(104,664)
<b>Profit from operations</b>		<b>894,822</b>	682,899
Net finance income	4	<b>60,461</b>	26,432
<b>Profit before taxation</b>	5	<b>955,283</b>	709,331
Taxation	6	<b>(198,079)</b>	(101,071)
<b>PROFIT FOR THE PERIOD</b>		<b>757,204</b>	608,260
<b>Other comprehensive income for the period</b>			
Exchange difference on translation of financial statements of operations outside Mainland China		<b>(29,329)</b>	(1,095)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>727,875</b>	607,165
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		<b>760,228</b>	608,260
Non-controlling interests		<b>(3,024)</b>	—
<b>PROFIT FOR THE PERIOD</b>		<b>757,204</b>	608,260
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		<b>730,899</b>	607,165
Non-controlling interests		<b>(3,024)</b>	—
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>727,875</b>	607,165
Earnings per share	7	<b>RMB cents</b>	RMB cents
— Basic		<b>30.50</b>	24.43
— Diluted		<b>30.40</b>	24.39

The accompanying notes form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18(h).

**Condensed Consolidated Statement of Financial Position**

As at 30 June 2010 — unaudited (Expressed in Renminbi)

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	503,046	506,420
Construction in progress	9	132,118	123,827
Lease prepayments	10	34,669	28,024
Prepayments for acquisition of land use rights	10	35,705	36,647
Intangible assets	11	517,816	486,983
Deferred tax assets	17(b)	12,087	11,750
<b>Total non-current assets</b>		<b>1,235,441</b>	1,193,651
<b>Current assets</b>			
Inventories	12	443,381	374,090
Trade and other receivables	13	675,994	528,936
Pledged deposits	14	9,640	9,640
Fixed deposits held at banks with maturity over three months	15	2,328,516	1,560,000
Cash and cash equivalents	15	1,875,370	2,437,089
<b>Total current assets</b>		<b>5,332,901</b>	4,909,755
<b>Total assets</b>		<b>6,568,342</b>	6,103,406
<b>Current liabilities</b>			
Trade and other payables	16	960,912	819,516
Amounts due to related parties	20(b)	1,585	883
Current taxation	17(a)	89,701	52,061
<b>Total current liabilities</b>		<b>1,052,198</b>	872,460
<b>Net current assets</b>		<b>4,280,703</b>	4,037,295
<b>Total assets less current liabilities</b>		<b>5,516,144</b>	5,230,946

**Condensed Consolidated Statement of Financial Position**

As at 30 June 2010 — unaudited (Expressed in Renminbi)

	Note	30 June 2010 RMB'000	31 December 2009 RMB'000 (audited)
<b>Non-current liabilities</b>			
Long-term payable to non-controlling interests — unsecured and at amortised cost		44,601	44,006
Deferred tax liabilities	17(b)	105,627	49,612
<b>Total non-current liabilities</b>		<b>150,228</b>	93,618
<b>Total liabilities</b>		<b>1,202,426</b>	966,078
<b>Net assets</b>			
<b>Equity</b>			
Share capital	18	241,952	241,838
Reserves	18	5,069,599	4,838,101
<b>Total equity attributable to equity shareholders of the Company</b>		<b>5,311,551</b>	5,079,939
<b>Non-controlling interests</b>		<b>54,365</b>	57,389
<b>Total liabilities and equity</b>		<b>6,568,342</b>	6,103,406

The accompanying notes form part of this interim financial report.

**Ding Shizhong**

Chairman and Chief Executive Officer

**Lai Shixian**

Chief Operating Officer

**Ling Shing Ping**

Chief Financial Officer

Hong Kong, 16 August 2010

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 — unaudited (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company								Non-controlling interests RMB'000	Total equity RMB'000
		Share capital	Share premium	Capital reserve	Statutory reserve	Exchange reserve	Share-based compensation reserve	Retained profits	Total		
		RMB'000 Note 18(a)	RMB'000 Note 18(b)	RMB'000 Note 18(c)	RMB'000 Note 18(d)	RMB'000 Note 18(e)	RMB'000 Note 18(f)	RMB'000	RMB'000		
Balances as at 1 January 2009		241,654	2,729,633	141,029	164,084	(254,775)	1,262	1,457,985	4,480,872	—	4,480,872
<i>Changes in equity for the six months ended 30 June 2009:</i>											
— Shares issued pursuant to Pre-IPO share option scheme	18(a)	57	2,367	—	—	—	(22)	—	2,402	—	2,402
— Equity settled share-based payment	18(f)	—	—	—	—	—	321	—	321	—	321
— Dividends approved in respect of the previous year	18(h)	—	(394,954)	—	—	—	—	—	(394,954)	—	(394,954)
— Appropriation to statutory reserve		—	—	—	73,468	—	—	(73,468)	—	—	—
— Total comprehensive income for the period		—	—	—	—	(1,095)	—	608,260	607,165	—	607,165
Balances as at 30 June 2009		241,711	2,337,046	141,029	237,552	(255,870)	1,561	1,992,777	4,695,806	—	4,695,806
<b>Balances as at 1 January 2010</b>		<b>241,838</b>	<b>2,078,956</b>	<b>141,029</b>	<b>249,282</b>	<b>(256,560)</b>	<b>1,666</b>	<b>2,623,728</b>	<b>5,079,939</b>	<b>57,389</b>	<b>5,137,328</b>
<i>Changes in equity for the six months ended 30 June 2010:</i>											
— Shares issued pursuant to Pre-IPO share option scheme	18(a)	114	4,788	—	—	—	(99)	—	4,803	—	4,803
— Equity settled share-based payment	18(f)	—	—	—	—	—	200	—	200	—	200
— Dividends approved in respect of the previous year	18(h)	—	(504,290)	—	—	—	—	—	(504,290)	—	(504,290)
— Appropriation to statutory reserve		—	—	—	43,231	—	—	(43,231)	—	—	—
— Total comprehensive income for the period		—	—	—	—	(29,329)	—	760,228	730,899	(3,024)	727,875
<b>Balances as at 30 June 2010</b>		<b>241,952</b>	<b>1,579,454</b>	<b>141,029</b>	<b>292,513</b>	<b>(285,889)</b>	<b>1,767</b>	<b>3,340,725</b>	<b>5,311,551</b>	<b>54,365</b>	<b>5,365,916</b>

The accompanying notes form part of this interim financial report.

**Condensed Consolidated Statement of Cash Flows**

For the six months ended 30 June 2010 — unaudited (Expressed in Renminbi)

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
<b>Net cash generated from operating activities</b>		<b>817,275</b>	607,704
<b>Net cash used in investing activities*</b>		<b>(850,306)</b>	(1,416,808)
<b>Net cash used in financing activities</b>		<b>(499,359)</b>	(392,824)
<b>Net decrease in cash and cash equivalents</b>		<b>(532,390)</b>	(1,201,928)
<b>Cash and cash equivalents as at 1 January</b>		<b>2,437,089</b>	3,271,674
<b>Effect of foreign exchange rate changes</b>		<b>(29,329)</b>	(1,095)
<b>Cash and cash equivalents as at 30 June</b>	15	<b>1,875,370</b>	2,068,651

The accompanying notes form part of this interim financial report.

\* Net cash used in investing activities for the period includes the uplift and placement of fixed deposits held at banks with maturity over three months, which totalled RMB2,280,000,000 (2009: RMB221,640,000) and RMB3,048,516,000 (2009: RMB1,568,000,000) respectively.



## 1 Basis of Preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 16 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2009 annual financial statements.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes which do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by the Company’s auditors, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). KPMG’s Review Report to the Board of Directors is included on page 39.

## 2 Changes in Accounting Policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s financial statements:

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Improvements to IFRSs (2009)

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

The developments resulted in changes in accounting policies but none of these changes in policies have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group’s financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree’s deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder’s fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.



## 2 Changes in Accounting Policies (Continued)

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.
- In addition to the Group's existing policy of measuring the non-controlling interests in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

- If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group would have treated such transactions as step-up transactions and partial disposals, respectively.
- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions would have been treated as partial disposals.

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively.
- As a result of the amendment to IAS 17, *Leases*, arising from the "Improvements to IFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.



## Notes to the Condensed Consolidated Interim Financial Statements



### 3 Turnover

The principal activities of the Group are the manufacturing, trading and distribution of sporting goods including footwear, apparel and accessories in the PRC. 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:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Anta products	<b>3,241,476</b>	2,680,328
Others*	<b>211,587</b>	136,694
Total turnover	<b>3,453,063</b>	2,817,022

\* Others represent sales of products of Sports Lifestyle series, Kids sportswear series, Fila branded products and sales to overseas customers for the period.

The Group operated in a single business segment, which was manufacturing, trading and distribution of ANTA branded sporting goods including footwear, apparel and accessories. Pursuant to the acquisition of the Fila Business in the PRC on 30 September 2009, an additional business segment, which is the trading and distribution of the Fila branded sporting goods, has been identified. However, the Directors consider that, except for the Fila PRC Trademarks, the turnover and financial results (in absolute amount) of the Fila Business in the PRC are less than 10% of the Group's turnover and profit respectively for the six months ended 30 June 2010. The presentation of segment information of Fila Business in the PRC would not be meaningful in the interim financial report. Accordingly, no segmental analysis is presented.

For the six months ended 30 June 2010 and 2009, there was no customer with whom transactions have exceeded 10% of the Group's turnover.

### 4 Net Finance Income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest income	<b>36,145</b>	26,324
Net foreign exchange gain	<b>26,110</b>	108
	<b>62,255</b>	26,432
Interest expense recognised on payable carried at amortised cost	<b>(1,794)</b>	—
Net finance income	<b>60,461</b>	26,432

### 5 Profit Before Taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Cost of inventories sold (i)	<b>1,943,291</b>	1,647,968
Staff costs (i) & (ii)	<b>305,651</b>	237,300
Depreciation (i)	<b>32,728</b>	24,411
Amortisation		
— lease prepayments	<b>400</b>	257
— intangible assets	<b>7,815</b>	603
Subcontracting charges (i)	<b>148,890</b>	110,691
Operating lease charges in respect of properties	<b>22,016</b>	9,458
Research and development costs (i) & (ii)	<b>56,008</b>	53,646

(i) Cost of inventories sold includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB435,170,000 (2009: RMB347,486,000).

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



## 6 Taxation in the Condensed Consolidated Statement of Comprehensive Income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Current tax — PRC Corporate Income Tax Provision for the period	142,401	79,827
Deferred tax		
Origination of temporary differences (note 17(b))	55,678	21,244
	<b>198,079</b>	101,071

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision for Hong Kong Profits Tax, Macao Complementary (Profits) Tax and Singapore Income Tax has been made as the Group does not have assessable profits subject to Hong Kong Profits Tax, Macao Complementary (Profits) Tax and Singapore Income Tax during the six months ended 30 June 2010 and 2009.
- (iii) In accordance with the relevant PRC Corporate Income Tax laws, regulations and implementation guidance note, certain subsidiaries in the Mainland China are entitled to tax concessions and tax relief whereby the profits of these subsidiaries are taxed at preferential income tax rates. Taxation for the Group's subsidiaries in the Mainland China are calculated using the applicable preferential income tax rates granted to these subsidiaries.

In addition, the Group is subject to withholding tax at the rate of 10% (unless reduced by treaty) on distributions of profits generated after 31 December 2007 from the Group's certain subsidiaries in the Mainland China. As these subsidiaries are directly and wholly owned by a Hong Kong incorporated subsidiary, a rate of 5% is applicable to the calculation of this withholding tax. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated after 31 December 2007.

## 7 Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity shareholders of the Company for the period of RMB760,228,000 (2009: RMB608,260,000) and the weighted average number of shares in issue during the six months ended 30 June 2010 of 2,492,748,000 (Six months ended 30 June 2009: 2,490,061,000).

Weighted average number of ordinary shares

	Six months ended 30 June	
	2010 '000 shares	2009 '000 shares
Issued ordinary shares	2,492,088	2,490,000
Effect of share options exercised	660	61
Weighted average number of ordinary shares	<b>2,492,748</b>	2,490,061

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted under the Pre-IPO share option scheme (note 18(g)) assuming they were exercised.

Weighted average number of ordinary shares (diluted)

	Six months ended 30 June	
	2010 '000 shares	2009 '000 shares
Weighted average number of ordinary shares	2,492,748	2,490,061
Effect of deemed issue of shares under the Company's Pre-IPO share option scheme	7,797	3,991
Weighted average number of ordinary shares (diluted)	<b>2,500,545</b>	2,494,052



## Notes to the Condensed Consolidated Interim Financial Statements

**8 Property, Plant and Equipment**

	2010 RMB'000	2009 RMB'000
Net book value, as at 1 January	506,420	452,154
Additions	18,625	57,390
Transfer from construction in progress (note 9)	11,884	30,515
Disposals (net book value)	(1,155)	(1,092)
Depreciation charge for the period	(32,728)	(24,411)
Net book value, as at 30 June	503,046	514,556

**9 Construction in Progress**

	2010 RMB'000	2009 RMB'000
As at 1 January	123,827	86,541
Additions	20,175	44,635
Transfer to property, plant and equipment (note 8)	(11,884)	(30,515)
As at 30 June	132,118	100,661

**10 Lease Prepayments/Prepayments for Acquisition of Land Use Rights****(a) Lease prepayments**

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

**(b) Prepayments for acquisition of land use rights**

As at 30 June 2010, the Group made prepayments of RMB35,705,000 (31 December 2009: RMB36,647,000) for the acquisition of certain land use rights for self-operating properties under development in the PRC. The related ownership certificates are under application as at 30 June 2010.

**11 Intangible Assets**

	2010 RMB'000	2009 RMB'000
Net book value, as at 1 January	486,983	4,087
Additions	38,648	1,805
Amortisation for the period	(7,815)	(603)
Net book value, as at 30 June	517,816	5,289

**12 Inventories**

	30 June 2010 RMB'000	31 December 2009 RMB'000
Raw materials	119,542	100,383
Work in progress	102,781	69,122
Finished goods	221,058	204,585
	443,381	374,090

**13 Trade and Other Receivables**

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade receivables	385,963	273,378
Advance payments to suppliers	83,662	103,015
Deposits and other prepayments	117,160	108,271
Prepayment for construction costs	1,603	1,454
VAT deductible	73,227	28,864
Interest receivable	11,031	10,339
Other receivables	3,348	3,615
	675,994	528,936



## Notes to the Condensed Consolidated Interim Financial Statements

**13 Trade and Other Receivables** (Continued)

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

	30 June 2010 RMB'000	31 December 2009 RMB'000
Neither past due nor impaired	384,070	269,755
Less than 3 months past due	1,893	3,574
Past due over 3 months	—	49
	<b>385,963</b>	273,378

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

**14 Pledged Deposits**

These bank deposits have been pledged as security for certain construction projects.

**15 Cash and Cash Equivalents and Fixed Deposits held at Banks**

	30 June 2010 RMB'000	31 December 2009 RMB'000
Deposits with banks within three months to maturity when placed	1,361,032	2,175,441
Cash at bank and in hand	514,338	261,648
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	1,875,370	2,437,089
Deposits with banks with more than three months to maturity when placed	2,328,516	1,560,000
	<b>4,203,886</b>	3,997,089

**16 Trade and Other Payables**

	30 June 2010 RMB'000	31 December 2009 RMB'000
Trade payables	416,306	371,158
Receipts in advance from customers	15,194	9,808
Accrued construction costs	3,334	1,683
VAT and other taxes payable	39,421	27,189
Accruals	444,910	373,974
Other payables	41,747	35,704
	<b>960,912</b>	819,516

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand. An ageing analysis of the Group's trade payables is as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 3 months	396,105	336,724
3 months to 6 months	5,603	13,798
Over 6 months	14,598	20,636
	<b>416,306</b>	371,158

**17 Taxation in the Condensed Consolidated Statement of Financial Position**

(a) Current taxation in the condensed consolidated statement of financial position represents:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Provision for PRC Corporate Income Tax	89,701	52,061

## Notes to the Condensed Consolidated Interim Financial Statements

## 17 Taxation in the Condensed Consolidated Statement of Financial Position (Continued)

### (b) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the condensed consolidated statement of financial position and the movement during the period are as follows:

Deferred tax arising from:	Dividend withholding tax RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2009	—	—	—
Charged to condensed consolidated statement of comprehensive income (note 6)	21,244	—	21,244
As at 30 June 2009	21,244	—	21,244
As at 1 January 2010	<b>49,612</b>	<b>(11,750)</b>	<b>37,862</b>
Charged/(credited) to condensed consolidated statement of comprehensive income (note 6)	<b>56,015</b>	<b>(337)</b>	<b>55,678</b>
As at 30 June 2010	<b>105,627</b>	<b>(12,087)</b>	<b>93,540</b>

### (c) Deferred tax assets not recognised:

As at 30 June 2010, the Group's certain subsidiaries have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB134,712,000 (31 December 2009: RMB119,065,000) of which RMB55,775,000 (31 December 2009: RMB42,325,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as a deferred tax asset 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.

### (d) Deferred tax liabilities not recognised:

As at 30 June 2010, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in the Mainland China amounted to RMB1,054,382,000 (31 December 2009: RMB1,380,852,000). Deferred tax liabilities of RMB52,719,000 (31 December 2009: RMB69,043,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in the Mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

## 18 Capital, Reserves and Dividends

### (a) Share capital

During the period, pursuant to the Company's Pre-IPO share option scheme (note 18(g)), options were exercised to subscribe for 1,290,000 (2009: 645,000) ordinary shares in the Company at a consideration of RMB4,803,000 (2009: RMB2,402,000) of which RMB114,000 (2009: RMB57,000) was credited to share capital and the balance of RMB4,689,000 (2009: RMB2,345,000) was credited to the share premium account. RMB99,000 (2009: RMB22,000) has been transferred from the share-based compensation reserve to the share premium account. No options (2009: 210,000 options) lapsed during the period. As at 30 June 2010, the total number of shares which may be issued upon the exercise of all options outstanding is 11,147,000 (31 December 2009: 12,437,000).

### (b) Share premium

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.

### (c) 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 was reflected as a reduction in the advances from the controlling shareholders and a corresponding increase in the capital reserve during 2007.

### (d) Statutory reserve

Pursuant to applicable PRC regulations, 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 paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

**18 Capital, Reserves and Dividends** (Continued)**(e) Exchange reserve**

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

**(f) Share-based compensation reserve**

Share-based compensation reserve represents the fair value of employee services in respect of share options granted to a Director and certain employees of the Group.

**(g) 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 whereby a Director and 37 employees of the Group were given the rights to subscribe for shares of the Company. The subscription price per share pursuant to the Pre-IPO share option scheme was determined at 20% discount to the global offering price.

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

**(h) Dividends**

(i) Dividends payable to equity shareholders of the Company attributable to the period:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interim dividend declared after the interim period of HK20 cents per ordinary share (2009: HK12 cents per ordinary share)	435,075	263,460

The interim dividend has not been recognised as a liability as at 30 June 2010.

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Final dividend in respect of the financial year ended 31 December 2009, approved and paid during the following period, of HK12 cents per ordinary share (2008: HK10 cents per ordinary share)	263,108	219,419
Special dividend in respect of the financial year ended 31 December 2009, approved and paid during the following period, of HK11 cents per ordinary share (2008: HK8 cents per ordinary share)	241,182	175,535
	504,290	394,954

**19 Commitments****(a) Operating leases**

As at 30 June 2010, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Within 1 year	32,900	40,338
After 1 year but within 5 years	24,327	35,803
After 5 years	3,640	4,480
	60,867	80,621



## 19 Commitments (Continued)

### (b) Capital commitments

Capital commitments outstanding as at 30 June 2010 not provided for in the interim financial report are as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Contracted for	112,778	103,832
Authorised but not contracted for	151,915	158,637
	<b>264,693</b>	262,469

## 20 Material Related Party Transactions

During the six months ended 30 June 2010, there have been no changes to the definition of the related parties.

### (a) Transactions with related parties

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
<b>Recurring transactions</b>		
Purchases of raw materials		
— Quanzhou Anda Packaging Co., Ltd. (“Quanzhou Anda”)	4,670	3,266

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

### (b) Balances with related parties

As at 30 June 2010, the Group had the following balances with related parties:

	30 June 2010 RMB'000	31 December 2009 RMB'000
<b>Amounts due to related parties</b>		
Trade balances		
— Quanzhou Anda	918	813
Other balances		
— Fujian Anda Light Industrial Development Co., Ltd.	492	70
— Jingjiang Shifa Light Industry Co., Ltd.	175	—
	<b>1,585</b>	883

The amounts due to related parties are unsecured, interest free and are expected to be settled within one year.

### (c) Key management personnel remuneration

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Short-term employee benefits	2,937	2,735
Equity settled share-based payments	560	145
	<b>3,497</b>	2,880

The total remuneration is included in “staff costs” (see note 5).

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

As at 30 June 2010, 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"):

*Interest in shares and underlying shares of the Company and its associated corporations*

Name of Directors	Company/Name of associated corporation	Capacity/Nature of interest	Interest in ordinary shares	Interest in underlying shares <sup>(2)</sup>	Approximate percentage of interest in such corporation
Mr. Ding Shizhong	Company	Founder of a discretionary trust/ Beneficial owner	1,438,346,000 <sup>(3)</sup>	—	57.69%
	Anta International	Founder of a discretionary trust	4,144 <sup>(3)</sup>	—	41.44%
Mr. Ding Shijia	Company	Founder of a discretionary trust/ Beneficial owner	1,432,900,000 <sup>(4)</sup>	—	57.47%
	Anta International	Founder of a discretionary trust	4,084 <sup>(4)</sup>	—	40.84%
Mr. Lai Shixian	Company	Interest of spouse	167,700,000 <sup>(5)</sup>	—	6.73%
	Company	Beneficial owner	—	5,250,000	0.21%

## Notes:

- (1) As at 30 June 2010, the outstanding ordinary shares of the Company and of Anta International stood at 2,493,378,000 and 10,000 respectively.
- (2) The interests in underlying shares represent the interests in share options granted pursuant to the Pre-IPO share option scheme, details of which are set out in note 18(g) to the interim financial report.
- (3) 1,431,900,000 Shares were held through Anta International, an associated corporation, which held 57.43% of the issued share capital of the Company as at 30 June 2010. 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.

**Disclosure of Interests**

- (4) 1,431,900,000 Shares were held through Anta International, which held 57.43% of the issued share capital of the Company as at 30 June 2010. 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.
- (5) The interests of Mr. Lai Shixian in the Company are held through Anda Holdings, which holds 6.73% of the issued share capital of the Company. Spring Star Assets Limited holds the entire issued share capital of Anda Holdings, which is in turn held by HSBC Trustee acting as the trustee of the DYL Family trust. The DYL Family trust is an irrevocable discretionary trust set up by Mr. Lai Shixian's spouse, Ms. Ding Yali, as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DYL Family trust are issue of Ms. Ding Yali. Ms. Ding Yali as founder of the DYL Family trust is deemed to be interested in the Shares held by Anda Holdings and Mr. Lai Shixian is also deemed under the SFO to be interested in the interests of his spouse, Ms. Ding Yali.

Save as disclosed above, as at 30 June 2010, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions 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.

**Interests and short positions of substantial shareholders**

As at 30 June 2010, the persons or corporations (not being a Director or chief executive of the Company) who had an 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 Shareholders	Nature of interest	Number of Shares (See below)	Approximate percentage of interest in the Company
HSBC Trustee	Trustee (other than a bare trustee) <sup>(1)</sup>	1,720,297,000 (L)	68.99%
Anta International	Beneficial owner	1,431,900,000 (L)	57.43%
Allwealth Assets Limited	Corporation <sup>(1)</sup>	1,431,900,000 (L)	57.43%
Shine Well (Far East) Limited	Corporation <sup>(1)</sup>	1,431,900,000 (L)	57.43%
Talent Trend Investment Limited	Corporation <sup>(1)</sup>	1,431,900,000 (L)	57.43%
Top Bright Assets Limited	Corporation <sup>(1)</sup>	1,431,900,000 (L)	57.43%
Anda Holdings	Beneficial owner	167,700,000 (L)	6.73%
Ms. Ding Yali	Founder of a discretionary trust <sup>(2)</sup>	167,700,000 (L)	6.73%
	Interest of spouse <sup>(3)</sup>	5,250,000 (L)	0.21%
Spring Star Assets Limited	Corporation <sup>(2)</sup>	167,700,000 (L)	6.73%

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



## Disclosure of Interests



### Notes:

- (1) *The interests of HSBC Trustee in the Company are held through Anta International, Anda Holdings and Anda Investments, holding approximately 57.43%, 6.73% and 4.83% of the issued share capital of the Company, respectively. In addition, HSBC Trustee also held 297,000 Shares of the Company as trustee for persons unrelated to the substantial shareholders.*

*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 1,431,900,000 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 1,431,900,000 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 167,700,000 Shares held by Anda Holdings. Accordingly, HSBC Trustee and Spring Star Assets Limited were indirectly interested in the 167,700,000 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 120,400,000 Shares held by Anda Investments. Accordingly, HSBC Trustee and Sackful Gold Limited were indirectly interested in the 120,400,000 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 167,700,000 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 167,700,000 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 Shixian under the Pre-IPO share option scheme, details of which are set out in note 18(g) of the interim financial report.*

Save as disclosed above, as at 30 June 2010, the Directors were not aware of any other person or corporation having an interest or short positions 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.



The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board will strive to adhere 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 six months ended 30 June 2010, save as disclosed below, all the code provisions set out in the Code were met by the Company.

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 financial period, 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 6 Executive Directors and 3 Independent Non-Executive Directors and therefore has a strong independence element in its composition.

The Company has adopted 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 six months ended 30 June 2010.

The Audit Committee is responsible for the review and supervision of the Group’s financial reporting process, internal controls and review of the consolidated financial statements. The Audit Committee meets regularly with the Company’s external auditors to discuss the audit process and accounting issues (and in the absence of management if appropriate). Their written terms of reference are in line with the Code provisions. Members of the Audit Committee comprise Mr. Yeung Chi Tat (Chairman), Mr. Lu Hong Te and Mr. Dai Zhongchuan, all of whom are Independent Non-Executive Directors. The condensed consolidated interim financial report of the Group for the six months ended 30 June 2010 is unaudited but has been reviewed by KPMG, the auditors of the Company, and by the Audit Committee.

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2010.



**AGM**

The annual general meeting of the Company or any adjournment thereof

**Anda Holdings**

Anda Holdings International Limited

**Anda Investments**

Anda Investments Capital Limited

**ANTA**

ANTA Brand

**Anta International**

Anta International Group Holdings Limited

**ANTA Sports/ Company**

ANTA Sports Products Limited

**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

**BVI**

The British Virgin Islands

**CBA**

Chinese Basketball Association

**CCTV**

China Central Television

**CCTV5**

China Central Television Sports Channel

**China/PRC**

People's Republic of China

**COC**

Chinese Olympic Committee

**CPI**

Consumer Price Index

**CSD**

Chinese Sports Delegation

**CSR**

Corporate Social Responsibility

**CUBA**

Chinese University Basketball Association

**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

**Fila Business in the PRC**

Entire interest in Fila Marketing (Hong Kong) Limited and its subsidiary and an 85% equity interest in Full Prospect Limited and its subsidiaries.

**Fila PRC Trademarks**

All trademarks bearing "FILA" brand registered in the Mainland China, Hong Kong and Macao

**Fila Products**

Sportswear products bearing the Fila PRC Trademarks

**GDP**

Gross Domestic Product

**Group**

The Company and its subsidiaries

**Hong Kong**

The Hong Kong Special Administrative Region of the PRC

**Hong Kong Dollars, HK\$**

Hong Kong Dollars, the lawful currency of Hong Kong

**Hong Kong Stock Exchange/HKEX**

The Stock Exchange of Hong Kong Limited

**Independent non-Executive Directors**

Independent non-executive directors of the Company

**IPO**

Initial Public Offering

**Kids Sportswear series**

ANTA's sportswear products for children aged between 8 and 14

**Listing Rules**

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

**MSCI**

Morgan Stanley Capital International Global Standard Index

**NBA**

National Basketball Association

**ODM**

Original Design Manufacturer

**OEM**

Original Equipment Manufacturer

**Period**

6 months ended 30 June 2010

**POP**

Point of purchase advertising

**POS**

ANTA stores' point of sales

**PPI**

Producer Price Index

**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

**Sports Lifestyle series**

ANTA's trendy leisure sportswear products for consumers aged between 15 and 28

**Total Sales Floor Area**

Practical sales floor area, excluding warehouse

**TVC**

Television Commercial

**WTA**

Women's Tennis Association



### 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 brand and product differentiation. For the past nine years, ANTA's footwear has been enjoying a leading position in the composite index on market shares in China.

### Share Information

Listing Day: 10 July 2007  
Board lot size: 1,000 shares  
Numbers of shares in outstanding: 2,493,378,000 shares (As at 30 June 2010)

### Stock Codes

The Stock Exchange of Hong Kong 2020  
Reuters 2020.HK  
Bloomberg 2020HK  
MSCI 3741301

### Dividends

	2007	2008	2009	2010
Interim dividend	—	10	12	20
Final dividend	8	10	12	
Special dividend	—	8	11	

### IR Contact

If you have any inquiries, please contact:

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979 King's Road, Quarry Bay, Hong Kong  
Telephone: (852) 2894 6321  
Fax: (852) 2576 1990  
Email: anta@hillandknowlton.com.hk

### What dates are most important?

**16 Aug 2010**

Interim result announcement

chat



Public



Peter

**31 Aug to 3 Sep 2010**

(both days inclusive)  
Book closing dates for 2010 interim dividend

chat



Pearl

**10 Sep 2010 or after**

Payment date of 2010 interim dividend

chat



Mr. Lin

**31 Dec 2010**

Financial year end date of 2010

chat



Ms. Li





TdA - concept and design [tda.com.hk](http://tda.com.hk) EDICO - produced and printed [edico.com.hk](http://edico.com.hk)