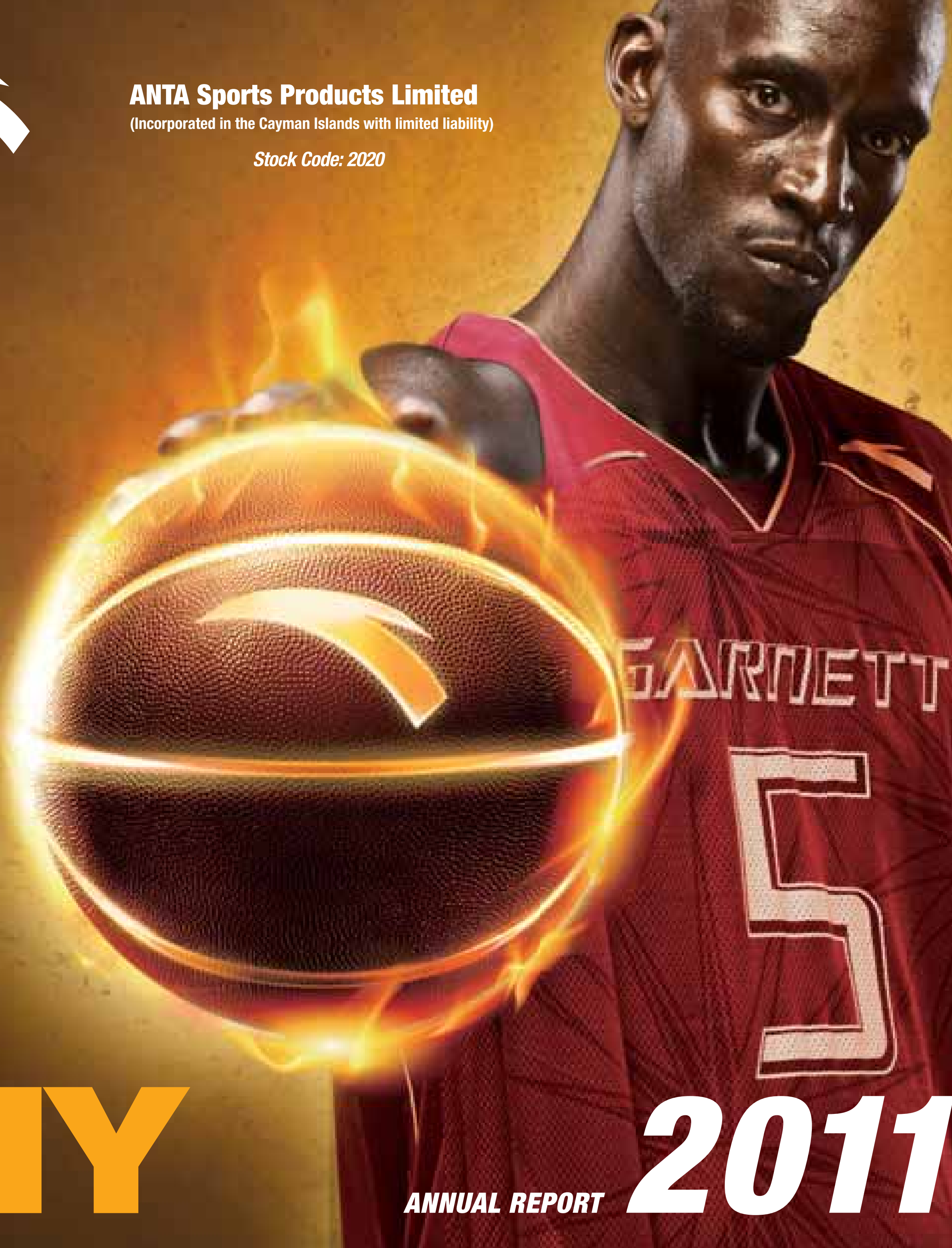
ANTA Sports Products Limited
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2020



BASKETBALL IS MY LIFE

ANNUAL REPORT **2011**

The Group sponsored sportswear to the CSD in

East Asian Games, Winter Olympic Games and Asian Games etc. in 2009-2011.

We are proud to provide high-quality gear for them in these international games.

ANTA

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

The 21st Winter Olympic Games
February 2010
Vancouver, Canada

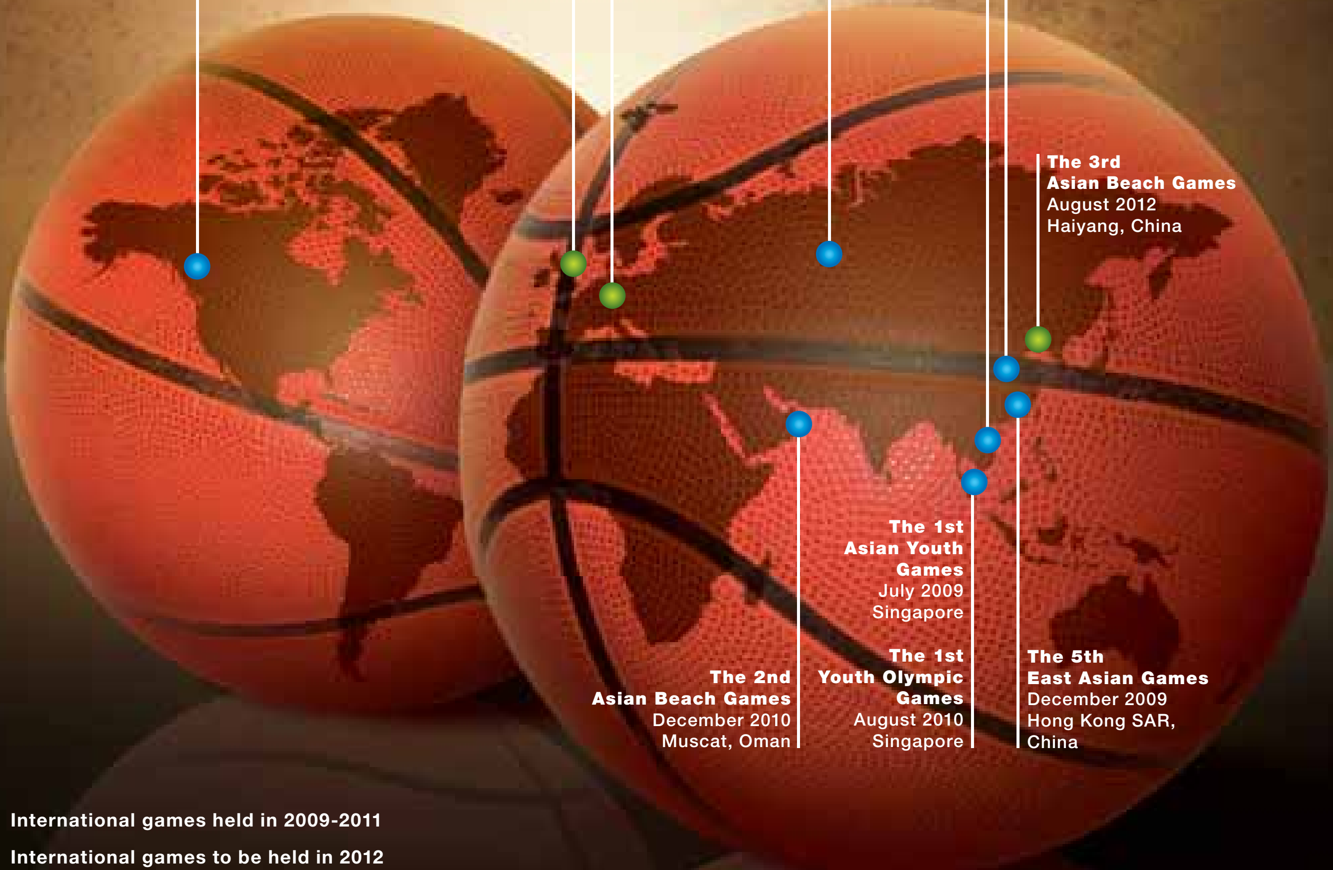
The 1st Winter Youth Olympic Games
January 2012
Innsbruck, Austria

The 3rd Asian Indoor Games
November 2009
Hanoi, Vietnam

The 16th Asian Games
November 2010
Guangzhou, China

The 30th Summer Olympic Games
27 July to 12 August 2012
London, United Kingdom

The 7th Asian Winter Games
February 2011
Almaty, Kazakhstan



The 3rd Asian Beach Games
August 2012
Haiyang, China

The 1st Asian Youth Games
July 2009
Singapore

The 2nd Asian Beach Games
December 2010
Muscat, Oman

The 1st Youth Olympic Games
August 2010
Singapore

The 5th East Asian Games
December 2009
Hong Kong SAR, China

International games held in 2009-2011

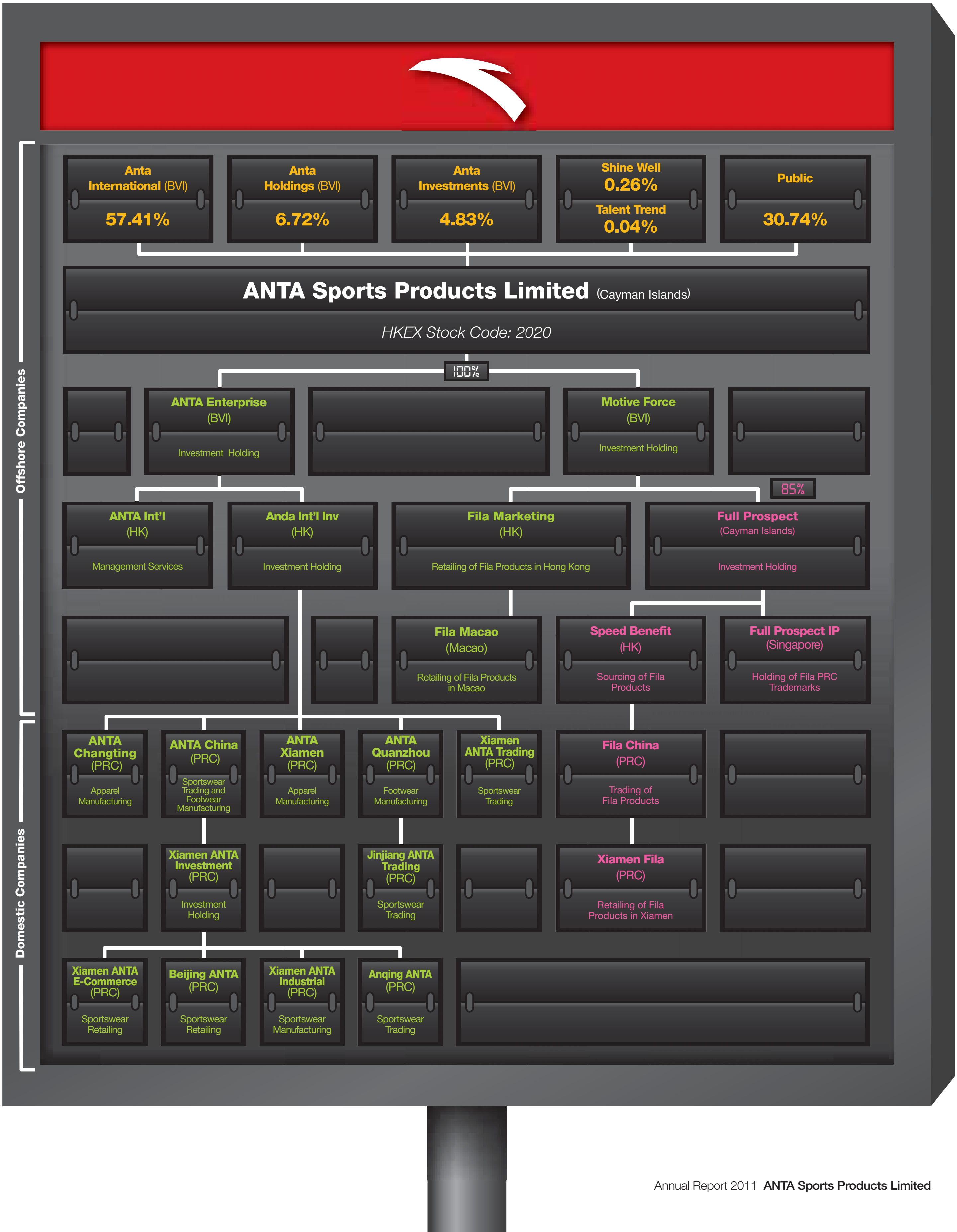
International games to be held in 2012

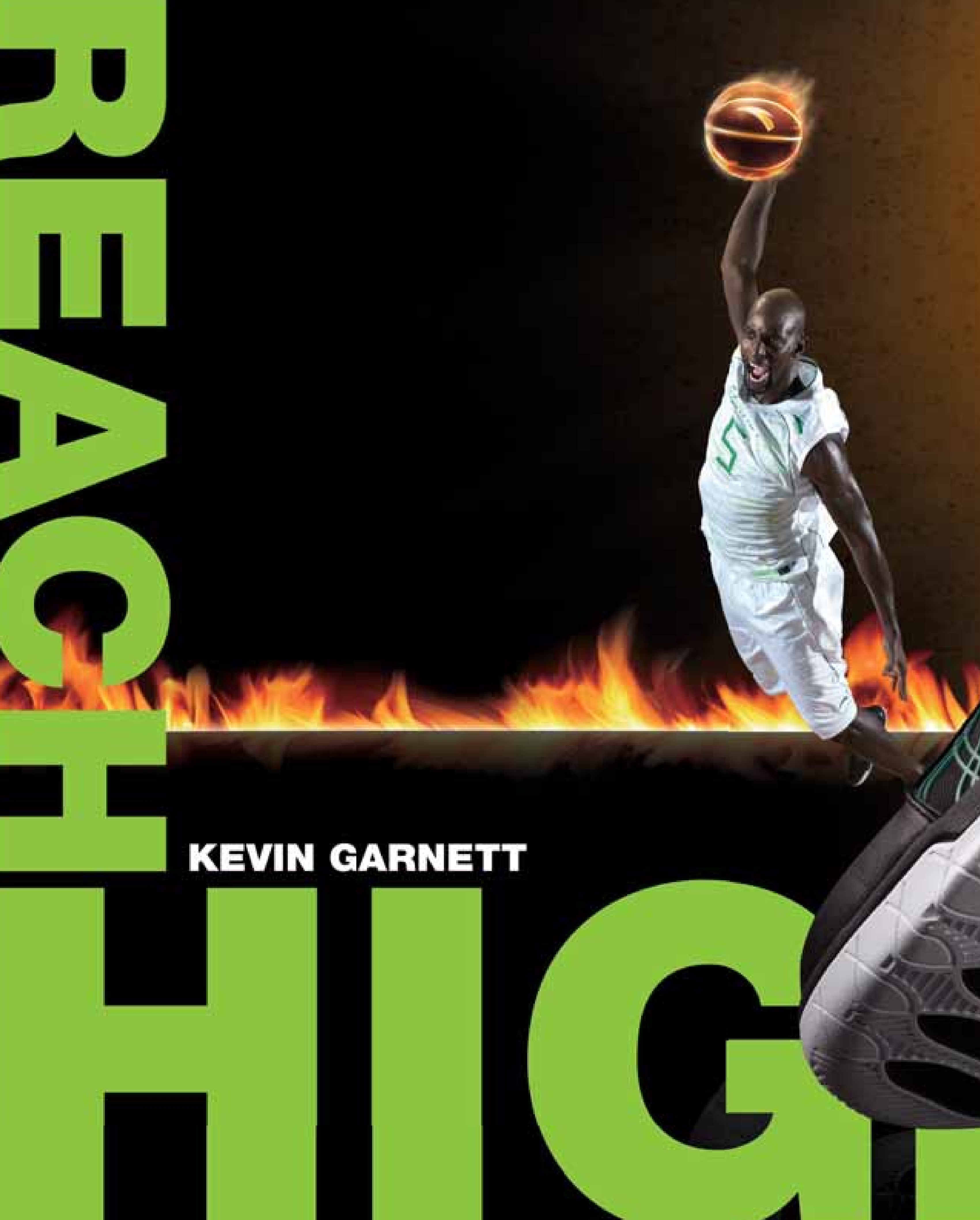
CONTENTS

CORPORATE INFORMATION

Board	
Executive Directors	Ding Shizhong (Chairman) Ding Shijia (Deputy Chairman)
	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 *FCPA 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
Registered offices	
Cayman Islands Office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111,
	Cayman Islands
Hong Kong Office	Unit No. 4408, 44th Floor, COSCO Tower, 183 Queen's Road, Central, Hong Kong
Head offices in the PRC	
Jinjiang Office	Dongshan Industrial Zone, Chidian Town, Jinjiang City, Fujian Province, PRC
	Postal code: 362212
Xiamen Office	ANTA Operations Center Yiai Road, Siming District, Xiamen, Fujian Province, PRC
	Postal code: 361009
Share registrars and transfer offices	
Cayman Islands Principal Register	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
Auditor	KPMG
Internal control review adviser	KPMG Advisory (China) Limited
Public relations consultant	Hill + Knowlton Strategies Asia
Principal bankers	Agricultural Bank of China, Bank of China Limited, Bank of China (Hong Kong) Limited,
	Industrial and Commercial Bank of China, China Construction Bank Hong Kong Branch

GROUP STRUCTURE




REACH
KEVIN GARNETT


ER

FINANCIAL OVERVIEW

Year ended 31 December	2011	2010	Changes
	(RMB million)	(RMB million)	(%)
Turnover	**8,904.8**	7,408.3	20.2
Gross profit	**3,762.4**	3,170.6	18.7
Profit from operations	**2,011.5**	1,736.8	15.8
Profit attributable to equity shareholders	**1,730.1**	1,551.1	11.5
Free cash inflow	**1,219.5**	1,269.0	(3.9)
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
– Basic	**69.37**	62.21	11.5
– Diluted	**69.20**	62.04	11.5
Shareholders' equity per share	**255.47**	227.68	12.2
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Interim	**26**	20	
– Final	**26**	25	
	52	45	15.6
	(%)	(%)	(% points)
Gross profit margin	**42.3**	42.8	(0.5)
Operating profit margin	**22.6**	23.4	(0.8)
Margin of profit attributable to equity shareholders	**19.4**	20.9	(1.5)
Effective tax rate	**20.2**	16.1	4.1
Advertising and promotional expenses (as a percentage of turnover)	**13.7**	13.6	0.1
Staff costs (as a percentage of turnover)	**8.5**	8.9	(0.4)
R&D costs (as a percentage of cost of sales)	**3.7**	3.2	0.5

As at 31 December	2011	2010	Changes
	(%)	(%)	(% points)
Average total shareholders' equity to average total assets	**79.0**	81.8	(2.8)
Return on average total shareholders' equity[(1)]	**28.7**	28.8	(0.1)
Return on average total assets[(2)]	**22.7**	23.6	(0.9)
	(days)	(days)	(days)
Average inventory turnover days[(3)]	**38**	36	2
Average trade receivables turnover days[(4)]	**26**	19	7
Average trade payables turnover days[(5)]	**37**	36	1

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 year.

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

(5) Average trade 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 year.

RESULTS HIGHLIGHTS

Turnover

RMB (billion)

8.90

representing an impressive growth

Financial performance

- Turnover increased by 20.2% to RMB8.90 billion
- Gross profit margin slightly decreased by 0.5% points to 42.3%
- Profit attributable to equity shareholders increased by 11.5% to RMB1,730.1 million
- Basic earnings per share has an increase of 11.5% to RMB69.37 cents
- 61.1% payout of the 2011 profit attributable to equity shareholders
- Free cash inflow slightly decreased by 3.9% to RMB1,219.5 million

Operational performance

- Number of ANTA stores reached 7,778, a net increase of 229 ANTA stores
- Total sales floor area of ANTA stores increased to approximately 959,000 sq.m.
- Average sales floor area per ANTA store increased from 116 sq.m. to 123 sq.m.

Gross Profit Margin

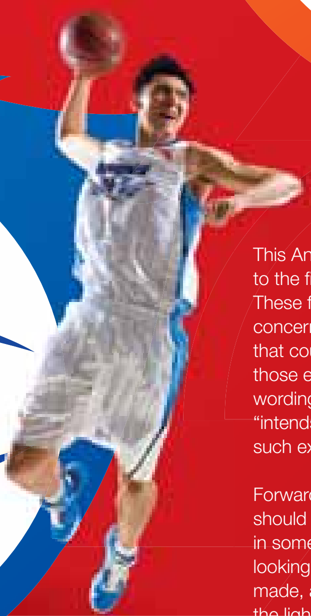
42.3%

reflecting strong brand equity

Payout Ratio

61.1%

providing better returns to shareholders

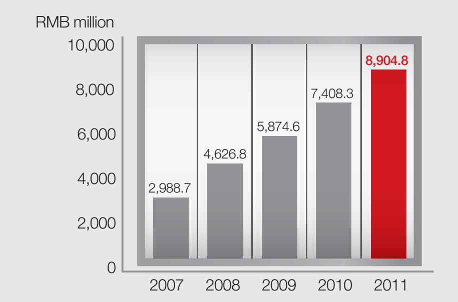


This Annual Report 2011 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and 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".

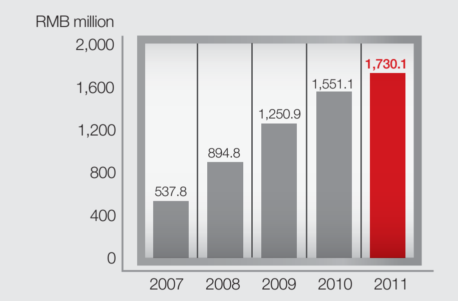
Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only at the 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 section "Management Discussion and Analysis".

FIVE-YEAR FINANCIAL SUMMARY

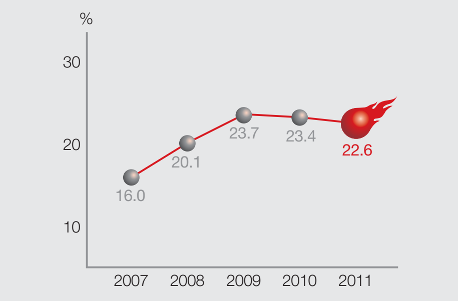
TURNOVER



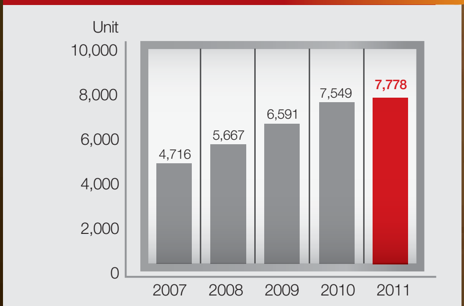
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



OPERATING PROFIT MARGIN



NUMBER OF ANTA STORES



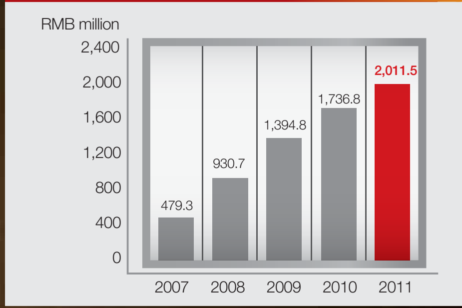
	2011
	(RMB'000)
Turnover	8,904,767
Gross profit	3,762,397
Profit from operations	2,011,496
Profit attributable to equity shareholders	1,730,122
Non-current assets	1,424,610
Current assets	6,769,707
Current liabilities	1,604,374
Net current assets	5,165,333
Total assets	8,194,317
Total assets less current liabilities	6,589,943
Non-current liabilities	171,393
Total liabilities	1,775,767
Non-controlling interests	46,660
Shareholders' equity	6,371,890
	(RMB cents)
Basic earnings per share	69.37
Diluted earnings per share	69.20
Shareholders' equity per share	255.47
	(HK cents)
Dividends per ordinary share	
– Interim	26
– Final	26
– Special	–
	(%)
Gross profit margin	42.3
Operating profit margin	22.6
Margin of profit attributable to equity shareholders	19.4
Effective tax rate	20.2
Advertising and promotional expenses (as a percentage of turnover)	13.7
Staff costs (as a percentage of turnover)	8.5
R&D costs (as a percentage of cost of sales)	3.7
Return on average total shareholders' equity[1]	28.7
Return on average total assets[1]	22.7
Average total shareholders' equity to average total assets	79.0
Debt to shareholders' equity ratio[2]	27.9
	(days)
Average inventory turnover days[1]	38
Average trade receivables turnover days[1]	26
Average trade and bills payables turnover days[1]	37

Notes:
(1) Please refer to notes on page 6 of the annual report for the definitions of return on average total shareholders' equity, return on average total assets, average inventory turnover days, average trade receivables turnover days and average trade and bills payables turnover days.

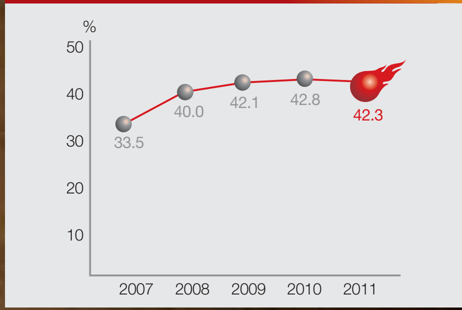
2010	2009	2008	2007
(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
7,408,309	5,874,596	4,626,782	2,988,723
3,170,554	2,472,894	1,848,573	999,907
1,736,811	1,394,777	930,659	479,256
1,551,113	1,250,941	894,791	537,793
1,309,436	1,193,651	592,464	494,789
5,745,055	4,909,755	4,350,018	4,135,949
1,163,393	872,460	461,610	480,044
4,581,662	4,037,295	3,888,408	3,655,905
7,054,491	6,103,406	4,942,482	4,630,738
5,891,098	5,230,946	4,480,872	4,150,694
160,366	93,618	–	–
1,323,759	966,078	461,610	480,044
52,701	57,389	–	–
5,678,031	5,079,939	4,480,872	4,150,694
(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
62.21	50.23	35.94	25.26
62.04	50.09	35.86	25.21
277.68	203.84	179.95	166.69
(HK cents)	(HK cents)	(HK cents)	(HK cents)
20.0	12.0	10.0	–
25.0	12.0	10.0	8.0
–	11.0	8.0	–
(%)	(%)	(%)	(%)
42.8	42.1	40.0	33.5
23.4	23.7	20.1	16.0
20.9	21.3	19.3	18.0
16.1	13.6	7.3	10.1
13.6	12.7	13.8	12.4
8.9	9.1	7.0	7.1
3.2	3.0	3.0	2.5
28.8	26.2	20.7	24.5
23.6	22.6	18.7	19.6
81.8	86.6	90.2	80.0
23.3	19.0	10.3	11.6
(days)	(days)	(days)	(days)
36	38	43	44
19	16	15	14
36	35	39	51

Notes:
(2) At each financial year end, debt to shareholders' equity ratio is equal to total liabilities over the shareholders' equity.

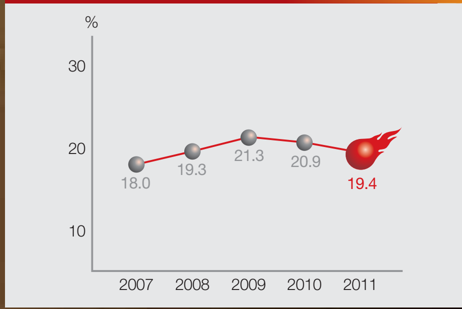
PROFIT FROM OPERATIONS



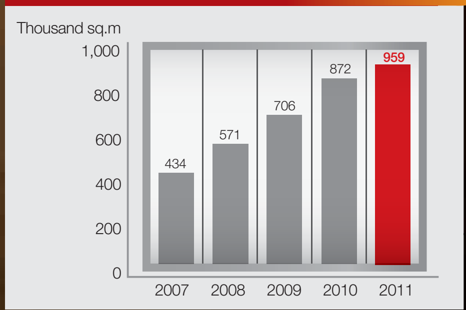
GROSS PROFIT MARGIN



MARGIN OF PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



TOTAL SALES FLOOR AREA OF ANTA STORES



MILESTONE OF 2011

MILESTONE OF 2011

March

ANTA Sports Presented a New Series of Women's Sportswear

ANTA Sports expanded the female tennis and cross-training product line by introducing a comprehensive new women's sportswear series. The new collection presents 2 product lines, namely "Sports Sculpting" and "Beauty Shaping", which address women's needs in terms of both fashion and functionality. "Rhythmic Bloom in the Heart", a marketing campaign which focuses on the specific needs and preferences of female consumers, was also launched to accentuate the collection's theme.

March and September

ANTA Sports Recognised for Popularity, Branding and Innovation

ANTA Sports was the top seller in travel and sports footwear for 10 consecutive years, as announced by the China General Chamber of Commerce and the China National Commercial Information Centre. The Group, ranked the 17th Best Brand in China by Interbrand, a leading brand consultancy, was also the only sportswear brand named among "China's 25 Most innovative Companies 2011" by Fortune magazine (Chinese Edition).

May

ANTA Sports Opened Beijing Flagship Store

ANTA Sports opened a flagship store at the Beijing Capital Indoor Stadium. Located in the bustling Zhongguancun and Xizhimen Business District, the flagship store, with a total sales floor of 1,000 sq. m, has a design that features ANTA's latest 6th generation store image. The new store will not only help to further boost the Group's brand equity but will also bring a whole new shopping experience to consumers.

May and August

ANTA Sports' Endorsed NBA players Luis Scola and Kevin Garnett Met Fans in China

ANTA Sports' endorsed basketball stars Luis Scola and Kevin Garnett, met with fans and basketball lovers in China in May and August respectively to promote the sport. Deeply committed to community service, the 2 superstars also visited disadvantaged children during their tours in China to express their commitment to and concern for the young generation in the country.

May

ANTA Sports at the Forefront in Supporting the "Champion Fund"

ANTA Sports became the 1st group of commercial enterprises to support the "Champion Fund", fulfilling the role as a responsible corporate citizen. Jointly launched by the Red Cross Society of China and Yang Yang, China's 1st Winter Olympics gold medalist, the fund aims at addressing the needs of retired athletes and promoting sports among young people in China.

MILESTONE OF 2011

June

ANTA Sports Sponsored COC-organised Olympic Day Run for the 3rd Consecutive Year

ANTA Sports became the sponsor of the 25th Olympic Day Run, organised by the COC. The event, which attracted a record 30,000 runners in 9 cities, became the largest long-distance running event ever held in China in terms of the number of participating cities and runners. Around 800 ANTA Sports employees joined the Olympic Day Run to promote the "Sports for All" movement.

July

ANTA Sports Launched Retro Edition of the Plum Blossom Outfit

ANTA Sports launched a retro edition of the plum blossom outfit to celebrate the one-year countdown to the 2012 London Olympics. Inspired by the design concept of the winning outfit in the Los Angeles Olympics, the retro edition of the outfit commemorates the milestone of China's first-ever Olympic gold medal, won by Xu Haifeng in Los Angeles in 1984. Xu also participated in the kick-off ceremony.

September and December

ANTA Sports Swept 6 Awards in Investor Relations and Recognised for Sustainability Efforts

ANTA Sports won the "Grand Prix for Best Overall Investor Relations (Small or Mid-cap)", along with 5 other awards at the IR Magazine Greater China Conference & Awards 2011. The Group has also been included in the Hang Seng Corporate Sustainability Benchmark Index, Hang Seng Corporate Sustainability Index and Hang Seng (Mainland and Hong Kong) Corporate Sustainability Index. The Group attained several awards for its outstanding annual reports during the year as well.

October

ANTA Sports' Brand – FILA Launched 100 Year Anniversary Celebration Campaign

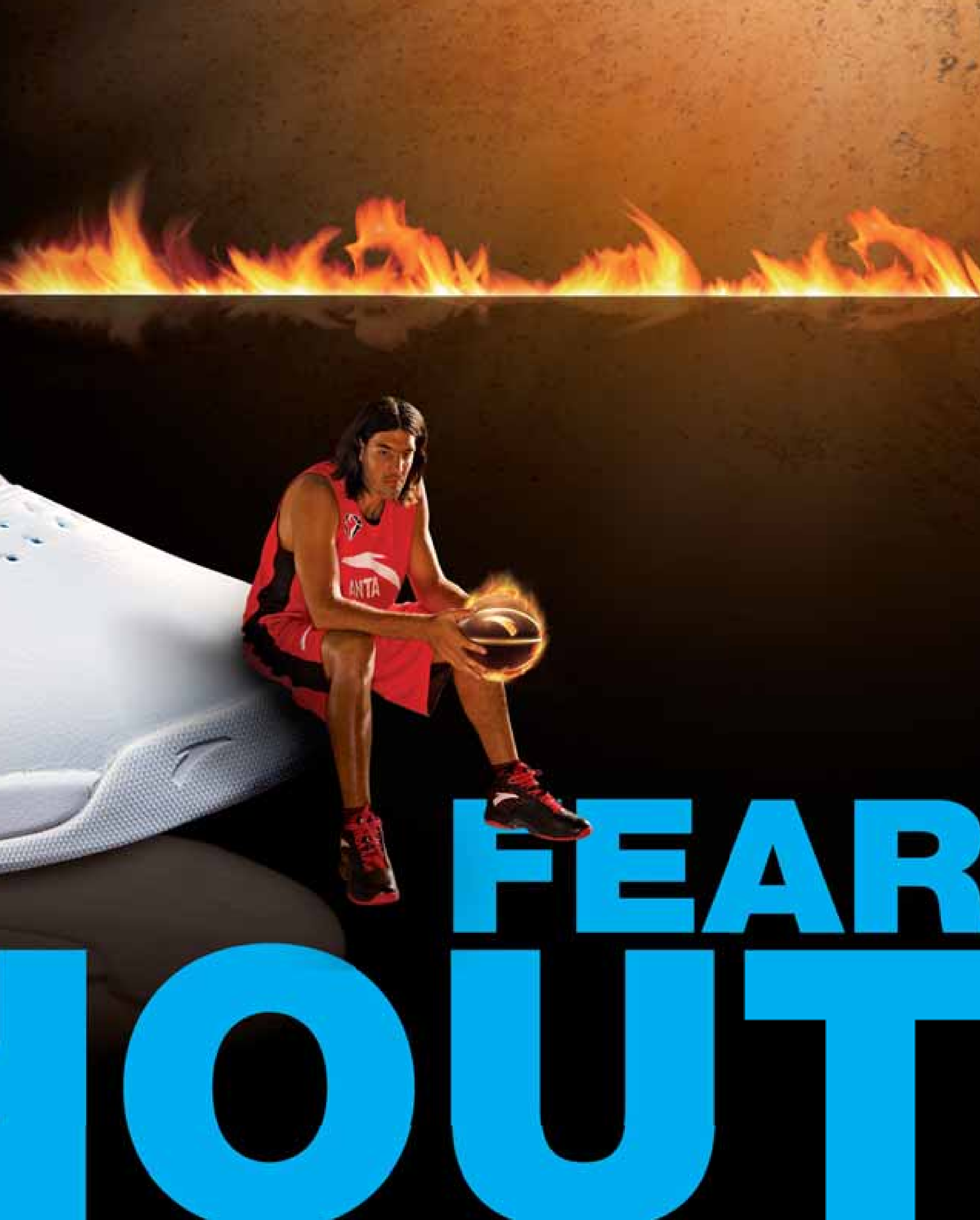
ANTA Sports hosted the "Back to the Past Century of FILA" event in Beijing to celebrate the centennial of FILA. During the event, classic sportswear designed by FILA over the past century featuring rich historical value were showcased. The 3rd generation FILA store layout, which offers a refreshing shopping experience to consumers, was also unveiled at the event.

October

ANTA Sports Introduced "Basketball Is My Life" Marketing Campaign

ANTA Sports launched a brand new "Basketball is My Life" marketing campaign, the Group's first-ever all-round promotional campaign, which integrates basketball sponsorship resources with ANTA's products and in-store marketing promotion. This synergy will further solidify the Group's brand influence in the basketball segment. Along with this campaign, ANTA Sports also launched a new series of basketball shoes featuring the "Four Mythical Creatures".


KEEP MOVING
LUIS SCOLA
WITH


ANTA
FEAR
IOUT

OUR MISSION

To integrate the sports spirit of "Going Beyond Oneself" into everyone's daily life.

Dear Shareholders,

On behalf of the Board, I am pleased to present the Group's annual results for the year ended 31 December 2011.

We Focus on Sustainability and Maintaining Healthy Growth

Though China's economy continued to grow steadily during the year, the pace of growth showed signs of moderation due to volatility in the global economy. Consistently high levels of inflationary pressure affected consumer sentiment, hindering growth in domestic consumption. However, rising income levels and a steady increase in sports participation helped to fuel growth momentum in the sportswear industry in China. Seeing both opportunities and challenges, the Group continued to stay focused on our mass market positioning while at the same time enhancing our strong brand equity, healthy distribution network and innovative product creation.

Despite the intense competition in the sportswear industry, we consistently upheld our leading position and maintained sound financial performance, with the Group's turnover increasing by 20.2% year-on-year to RMB8.90 billion during the year (2010: RMB7.41 billion). Profit attributable to equity shareholders rose 11.5% to RMB1.73 billion (2010: RMB1.55 billion), and basic earnings per share were RMB69.37 cents (2010: RMB62.21 cents). In view of the strong results, the Board proposed to declare a final dividend of HK26 cents per ordinary share (2010 final dividend: HK25 cents) which, together with an interim dividend of HK26 cents per ordinary share (2010 interim dividend: HK20 cents), represent a payout ratio of 61.1% of profit attributable to equity shareholders for the year.

We Connect Our Brand with Sports Lovers

Over the years, the Group has built a comprehensive sponsorship portfolio to strengthen our leadership in China's sportswear market. Our brand, ANTA, also enjoys strong recognition thanks to the powerful influence of our endorsed athletes. During the year, we continued to connect ANTA with basketball lovers in China by sponsoring the influential CBA and CUBA basketball leagues. Furthermore, we held a series of "Street Basketball Contest" throughout the country, which were wildly successful in arousing enthusiasm among young people. Our endorsed superstars Kevin Garnett and Luis Scola also linked ANTA with basketball fans when they toured China. In addition, our exclusive four-year sportswear partnership with the COC as well as our support for the Olympic Day Run continued to differentiate ANTA from peer brands and further solidified our iconic role in China's sports industry.

We Excel through Effective Marketing Strategy

During the year, we further integrated our prominent sponsorship resources, our renowned endorsement lineup as well as our innovative products to kick off a wide range of marketing campaigns. We rolled out impressive advertisements and in-store POPs to echo our featured products such as the brand new "Four Mythical Creatures" series, tailor-made to cater to the specific functional needs of basketball lovers. Moreover, our endorsed basketball stars and value-added products were put into the spotlight in the "Basketball is My Life" marketing campaign. In addition to our focus on the basketball market, we are also dedicated to capturing potential in the emerging women's sportswear market. China's "Diving Queen" Guo Jingjing and pop singer Jane Zhang have joined our endorsed tennis star Zheng Jie to promote our women's collections through our overarching "Rhythmic Bloom in the Heart" marketing campaign. We believe the increasing participation in sports among women will be a growth driver and will further contribute to the development of the Group.

We Innovate to Serve Both Athletes and Consumers

Innovation is one of the keys to our success. We believe that our strong capacity for innovation will bring us greater differentiation and extend our leadership position in China's sportswear market. Therefore, we are constantly striving to create innovative, quality value-added products featuring high-end technology and stylish designs for both athletes and consumers. During the year, we further upgraded the functionality of our A-Jelly technology, which we have applied to various footwear models so as to satisfy the specific needs of runners, making our A-Jelly running shoes one of our best-selling products. Furthermore, the ANTA-designed "KG" basketball shoes, which offer excellent shock absorption and protection, received a strong response from consumers. Owing to our consistent efforts in innovation, we have been named one of "China's 25 Most Innovative Companies 2011" by Fortune magazine (Chinese Edition) and the top seller of travel and sports shoes in China, in terms of market share, for the 10th consecutive year.

We Foster the Overall Efficiency of Our Distribution Network

Effective network management is one of our key commitments. Despite the persistence of inventory problems and deep discounting in China's sportswear market, our distribution channels remained relatively stable and competitive during the year. We achieved this through sound planning and being ever-responsive to changes in the market. In view of uncertain market conditions, we proactively reviewed our strategic ordering and store expansion plans in advance to avoid overexpansion and excess inventory in our distribution channels. We adopted a more prudent policy in processing orders, and also made a slight adjustment in the number of ANTA stores openings during the year. Meanwhile, we launched our 6th generation store standard and sped up the refurbishment and consolidation of stores. We believe that the enhancement of store quality will not only help to drive in-store traffic and sales, but will also help our distributors and franchisees stay competitive amid the challenging environment.

We Work Prudently to Cope with the Challenges Ahead

Looking ahead, the domestic retail market and consumer sentiment will continue to be affected by the moderation of China's economic growth. Sportswear brands and their retail partners are also facing pressure from high operating costs, as well as intense competition due to excessive inventory and deeper discounting in the distribution channels. All of these factors make the macroeconomic landscape and sportswear industry in China more challenging. Though we and our distribution channels are generally stable, we will be more prudent when reviewing our store expansion plans so as to control inventory levels more effectively. We will adopt a more flexible arrangement for ordering new collections and replenishing orders so as to respond to any market changes in a timely manner. Moreover, the overall quality and operational efficiency of our distribution channels will be further enhanced through accelerated efforts in the refurbishment and consolidation of stores.

More importantly, stronger brand equity and product differentiation will make our products more desirable to consumers, which would in turn make our distributors and franchisees more confident in the Group. Riding on the London Olympics, we will provide the best quality winning outfit for the CSD and roll out our Olympics-related marketing initiative by leveraging our comprehensive sports, R&D and design resources. In addition, despite challenges ahead, we believe that government policies that support urbanisation, sports promotion and wage increases will continue to create highly promising opportunities in China's sportswear market. We will consistently put our competitive advantages into full play in order to tap market potential, and will strive to take effective actions and measures to ensure the steady development of both the Group, our supply chain partners, distributors and franchisees, as well as to create value for our stakeholders over the long run.

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders for their steadfast support and to all of our staff for their unmatched dedication to making valuable contributions to the industrial and social development of the Group.

OUR VISION

To become the top national sportswear brand in China in terms of both brand desirability and market share, and to be respected by others as well as to develop into a sustainable world-class sportswear company.

Ding Shizhong
Chairman

Hong Kong, 20 February 2012

MARKET REVIEW

China Maintains Steady and Stable Economic Development

Last year, faced with a slow recovery and uncertainty in the international economy, the Chinese government was firm in implementing proactive fiscal policies and prudent monetary policies to sustain the country's growth momentum amid the volatile global economic environment. In order to maintain stable and healthy economic development, policymakers have taken action to speed up economic restructuring and boost domestic consumption in view of dwindling overseas demand. As a result, in 2011, the country's GDP achieved 9.2% growth to RMB47,156.4 billion, with total retail sales of consumer goods rising by 17.1%. The uptrend in retail sales was fueled by rising pay and has led to increased purchasing power, echoing the nation's economic restructuring plans. In 2011, the country's per capita annual disposable income of urban residents increased by 8.4% after deducting price factors, to RMB21,810.

Chinese Government Works to Keep Prices Stable

Although the country's economy and retail sales maintained sound growth momentum during the year, China faced high inflationary pressure because of the domestic stimulus package and liquidity unleashed by central banks around the world. Rising raw material prices and operational costs have been passed on to consumers, hampering consumption and limiting the progress of economic restructuring. Through the implementation of tightening measures aimed at taming inflation, China's 2011 CPI and PPI eased to 105.4 and 106.0, respectively, from the year's peak in July. Long-term pressures are expected to persist despite easing inflation. Nonetheless, it is generally believed that the Chinese government will not only follow closely the inflationary trend, but will also work harder to keeping prices stable by carrying out macro-control policies.

Sportswear Brands Cope with Challenges and Uncertainties

Last year, sportswear brands and their retailers faced significant uncertainties stemming from escalating cost pressures on raw materials, rents and labour costs. In order to reduce excess inventory in distribution channels, certain players sped up their de-stocking process through deep discounts. The pressure of deeper price cuts and rising operational costs have further intensified the competition in China's sportswear market and are likely to accelerate consolidation within the industry. Moreover, slower economic growth and rising consumer prices have also affected consumer sentiment in China. These unstable factors make the domestic retail market and sportswear industry in general more challenging. It is believed that stronger industry players which are more proactive and responsive to market conditions will strengthen their leading positions and will maintain the competitiveness of their distribution channels.

Macro-economic Policy Favours the Growing Sportswear Market

Notwithstanding the challenges mentioned above, growth in China's sportswear industry remains promising, particularly in lower-tier cities, driven by the government's continuing support for sports promotion, urbanisation and rising wages. Meanwhile, policymakers continue to focus on reining in inflation and expanding domestic demand as a response to the nation's economic restructuring for the sake of sustainable long-term development. In addition, consumers are becoming more brand-oriented and sophisticated owing to rising affluence. The more differentiated the brand and its products, the more it can achieve sustainability and profitability. Therefore, sportswear brands that are more responsive to market changes and are capable of delivering greater value to consumers can tap the market potential and capture a greater market share in the increasingly consolidated industry.

CHINA'S ECONOMIC DATA

National Income	GDP	RMB47,156.4 billion	YoY ⬆9.2%
Urban Residents' Income	Per capita annual disposable income	RMB21,810	YoY ⬆8.4%*
Consumption	Total retail sales of consumer goods	RMB18,122.6 billion	YoY ⬆17.1%
	Clothing sector (including sports footwear and apparel)	RMB795.5 billion	YoY ⬆24.2%
Inflation	CPI	105.4 (2010=100)	YoY ⬆5.4%
	PPI for manufactured goods	106.0 (2010=100)	YoY ⬆6.0%

** After deducting price factors*

Source: National Bureau of Statistics of China (as at 31 December 2011)

PESTEL and Competitive Advantages

Competitive Advantages

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

Product Differentiation
- A wide range of product mix and lines
- Qualify for setting national quality standards
- Strong alliance with designers and R&D institutions

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 and franchisees

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

External Environment

Economic
- Per capita disposable income growth rate
- Degree of urbanisation

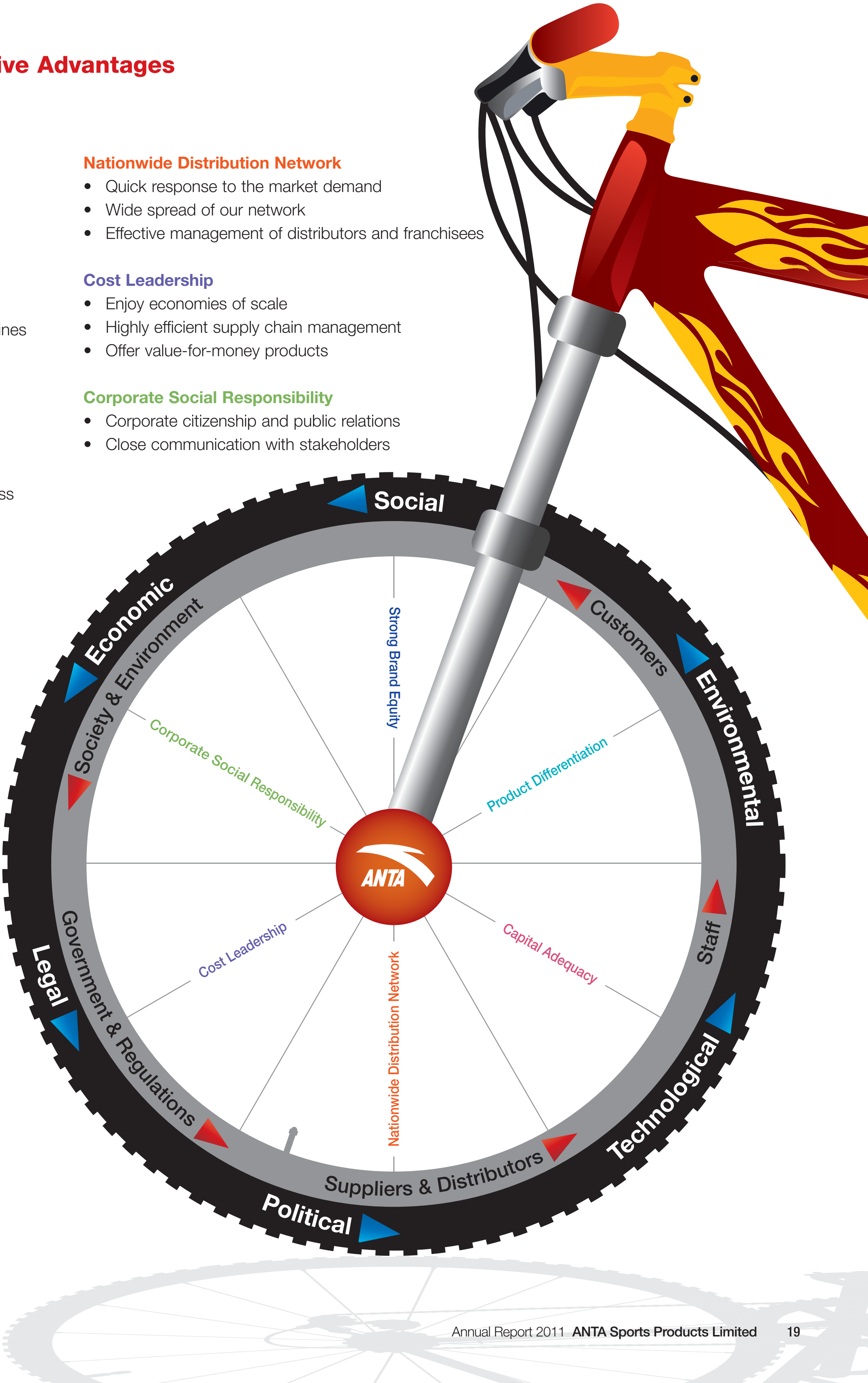
Legal
- Compliance
- Health and safety

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

Technological
- Products' functionality
- Performance-based sportswear products
- Trendy leisure sportswear products

Environmental
- Protection and education
- Seasonality

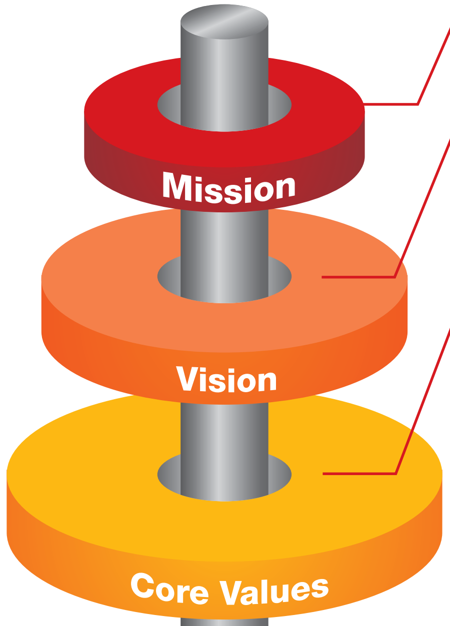
Social
- Sports participation rate
- Consumers' taste and preference
- Individual expenditure on sportswear products



BUSINESS REVIEW

The Group positions ourselves as a brand management company that integrates our sponsorship and endorsement resources, advertising and promotional campaigns, CSR and store image; as well as for its value-for-money performance-based and stylish sportswear products that reinforce our brand image and the level of brand association. Our brand drives the distribution network and the supply chain in order to serve our consumers and to achieve our mission, vision and core values.

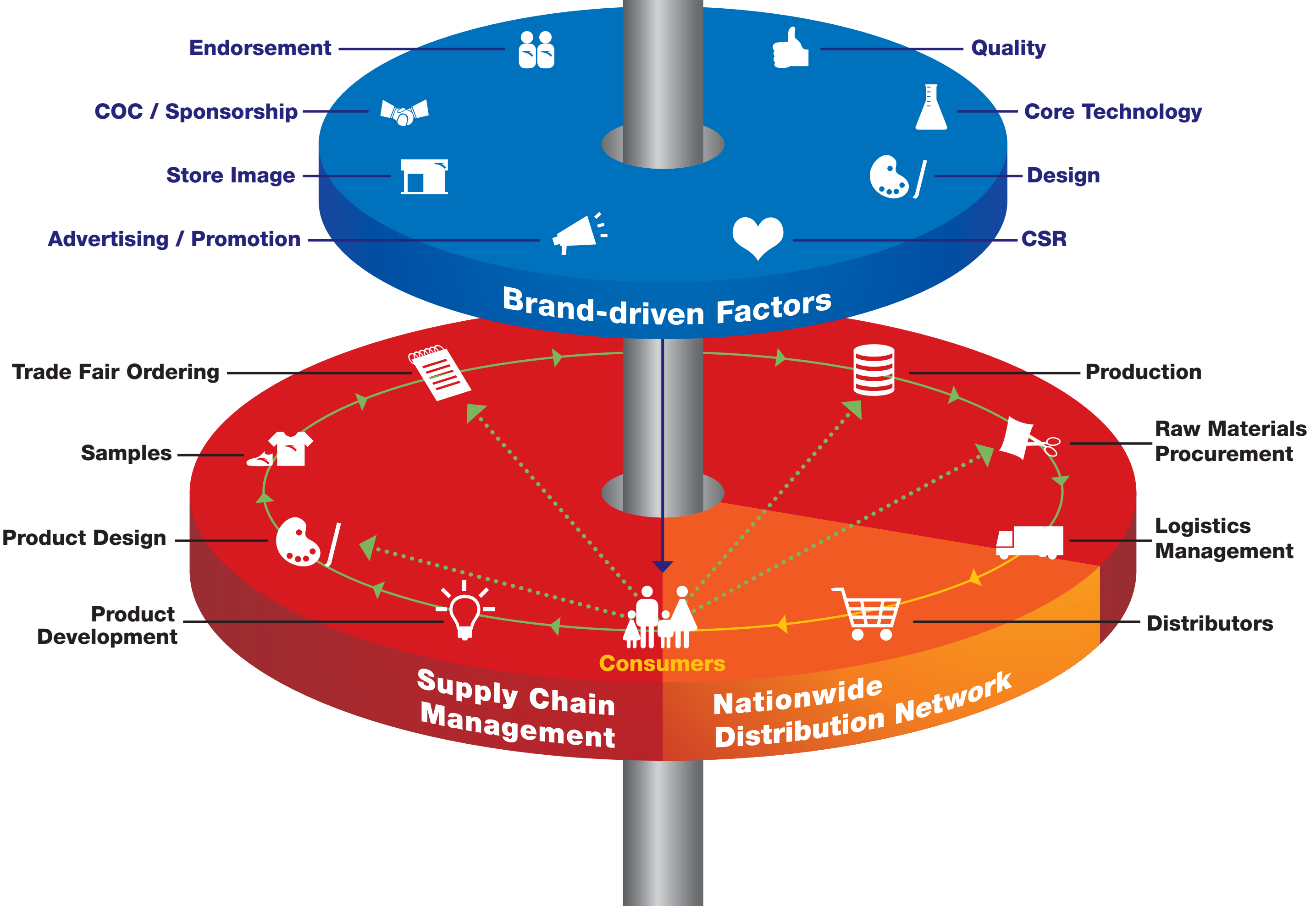
	Logistics
	Information feedback flow
	Distribution flow
	Strategic brand management
	Association of our brand with consumers
	Network, supply chain and logistics management



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

- To become the nation's top sportswear brand in China in terms of both brand desirability and market share, and to be respected by others, in addition to developing into a sustainable world-class sportswear company.

- We firmly believe brand value to be the basis of our business decision making, and that the core values be maintained by ANTA's people.
- We never fear the obstacles of change, and we will apply our innovation ideas to create values for our customers.
- With continuous efforts to be "precise, detailed, practical and accurate", we strive to grow with the sports industry.
- We uphold integrity and honesty. We are grateful and attach high importance to social responsibility.



BRAND MANAGEMENT

Strong Brand Equity

A company with strong fundamentals and solid brand equity is in a more favorable position to face challenges amid rapid market changes. The Group has therefore focused on implementing an effective brand management strategy to strengthen our brand differentiation and desirability for the long term growth. During the year, the Group further integrates our unique endorsement and sponsorship resources with interactive marketing campaigns to promote ANTA's professional image and product quality. For instance, the Group enhances the effectiveness of our promotional initiatives through innovative in-store marketing and outstanding store image.

1. Endorsements and Sponsorships

The Group's collaboration with influential sports associations, top-tier sports leagues and elite athletes highlights the superior attributes of our performance-based products and brings the brand closer to our target consumers. Our strategic partnership with the COC and the CSD has helped us to stand out among our peers, setting ANTA as the "representative of China's sports industry". The Group also cooperates with the COC to promote the Olympic spirit and sports development in China. The Group has strategically directed marketing resources to basketball and running, enhancing our brand association with two of the most popular sports in China. Riding on the growing potential in female sports, the Group has also launched an innovative marketing campaign to promote our expanded women's sportswear series.

Strategic Brand Management Model

2. Advertising and Promotional Campaigns

By incorporating our solid sports resources with different promotional channels and premium products, the Group has effectively maximised marketing synergy and the brand influence in the mass market. In addition to the roll-out of creative TVCs and other advertisements, the Group utilises internet marketing to reach more consumers in a more cost-effective way. The Group launches promotional events through digital social network and broadcast media to echo product marketing campaigns. This has also effectively boosted our sales performance at our retail and online stores. Meanwhile, the Group has been the title sponsor of the "ANTA CCTV Sports Personality Awards" since 2006. Also known as the "Sports Oscar" in China, our sponsorship of this event reflects our continuous support to the sports industry and brings ANTA to a much wider spectrum of mass market consumers.

3. Store Image

When facing the current challenges confronting the industry, the Group continues to enhance our store image as to maintain competiveness for sustainable growth. The Group standardised guidance on product displays and closely monitors retail stores to ensure consistency of store image across the country. The Group also provides in-store posters and billboards to retail stores to highlight marketing themes and product features. Furthermore, the Group is proactive in encouraging retailers to refurbish stores so as to present a better image and a better shopping experience. During the year, the launch of the brand new 6th generation store image has successfully lifted our brand image to another level. In addition, specific product corners have been set up in key stores to showcase our growing portfolio of diversified products.

The recognitions we received during 2011 illustrates our brand leadership. The Group ranked the 17th in the 2011 Best China Brands and was the only sportswear brand that was ranked the top 20th. Conducted by international brand consultancy Interbrand, the Best China Brands report adopted a systematic approach to evaluate the unique brand value in Chinese companies. For

instance, the Group was named the "Most Outstanding Brand" and the "Enterprise with the Highest Investment Value" by the China General Chamber of Commerce and the China National Commercial Information Centre. Meanwhile, the Group was the winner of the "Public Award" of the "China National Garment Association Award" organised by the China National Garment Association.

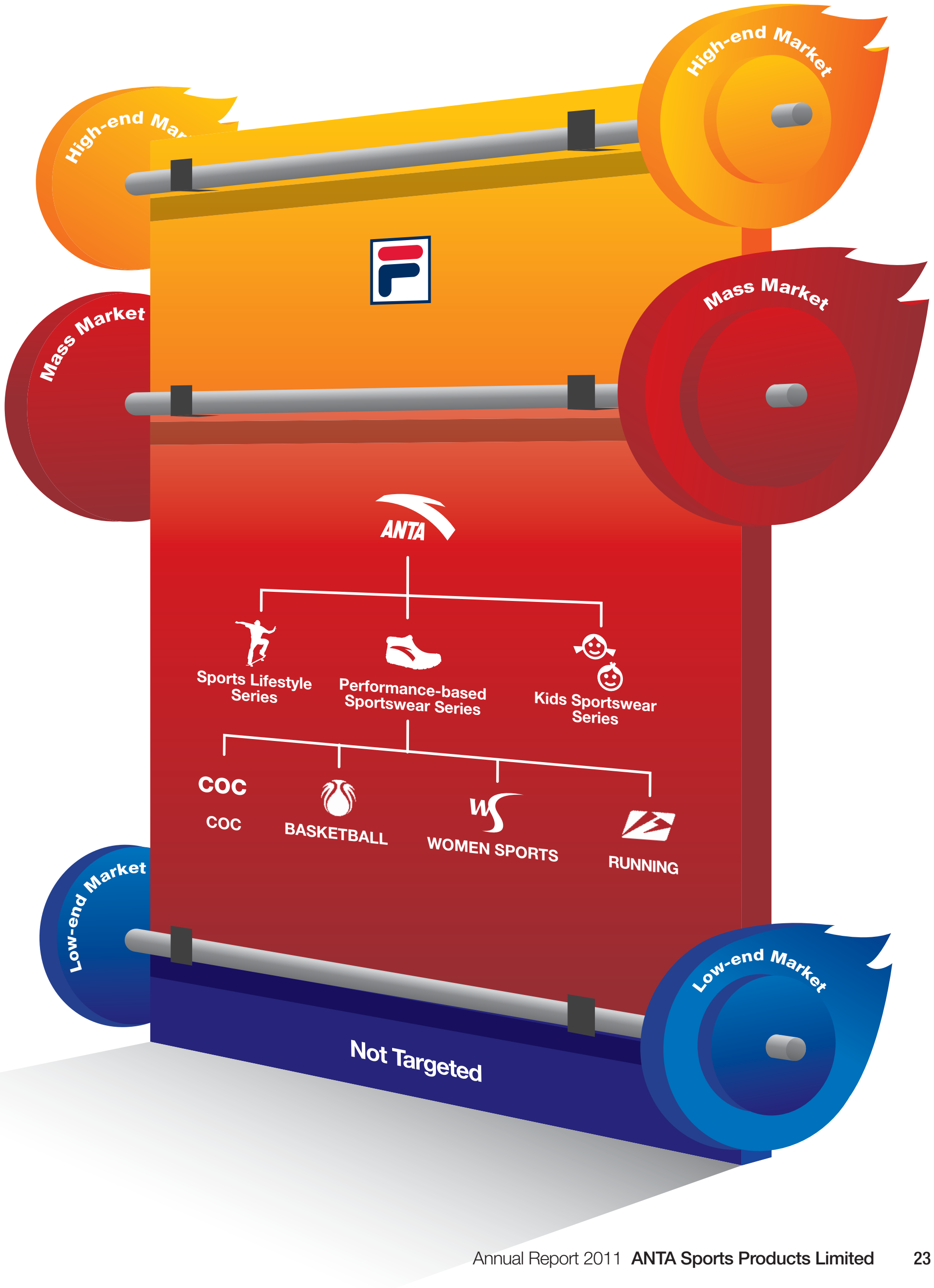
Brand Portfolio Model

As a result of the gloomy macro-economic landscape, intensified competition and rising operational costs, it was inevitable that every sportswear brand, ranging from high-end to low-end of the market, would suffer. Nevertheless, rising levels of health awareness and improved sporting facilities have facilitated the growth of the sportswear industry. Urbanisation and wage increases gave a further boost to the urban consumption, especially in the mass market and, in the long run, the high-end market as well. The Group further enriched our brand and product portfolio by adopting a multi-brand strategy to capture opportunities in various market segments.

Over the years, the Group has focused on promoting our brand and products through the association with popular sports and influential events. As a strategic partnership with the COC, the Group further expands the COC licensed products series to strengthen our relationship with consumers and the COC. Meanwhile, our performance-based basketball and running products have gained nationwide recognition in the mass market. Riding on the increasing popularity of women's sports, the Group has also expanded our female tennis and cross-training product offerings to launch a more comprehensive women sportswear series.

Consumer preferences have also become more sophisticated, creating further demand for a greater variety of sportswear products. Aside from performance-based products, teenagers also demand trendy leisure sportswear that best reflects their personalities. To extend our influence in this market, we have launched a new marketing campaign for our Sports Lifestyle series to promote the stylish image and the diversified products in 2011. Meanwhile, the Group has optimised the design and protectiveness of our Kids Sportswear series to capture the potential in the children's sportswear market.

The acquisition of the Fila business in the PRC represents a good opportunity for the Group to tap the potential of high-end sportswear market. Given its unique brand position and stylish products, FILA brand has been gaining popularity among high-end consumers. During the year, the Group kicked off the rebranding and marketing campaign to boost its brand recognition and desirability. We have also launched a new store image to echo the stylish, casual and sporty image of the FILA brand. The Fila business has not only fueled our future growth, but also creates synergies with our existing business in the mass market.




ANTA
安踏20周年庆典
ANTA
20th
ANNIVE

CELEBRATION

ERSARY

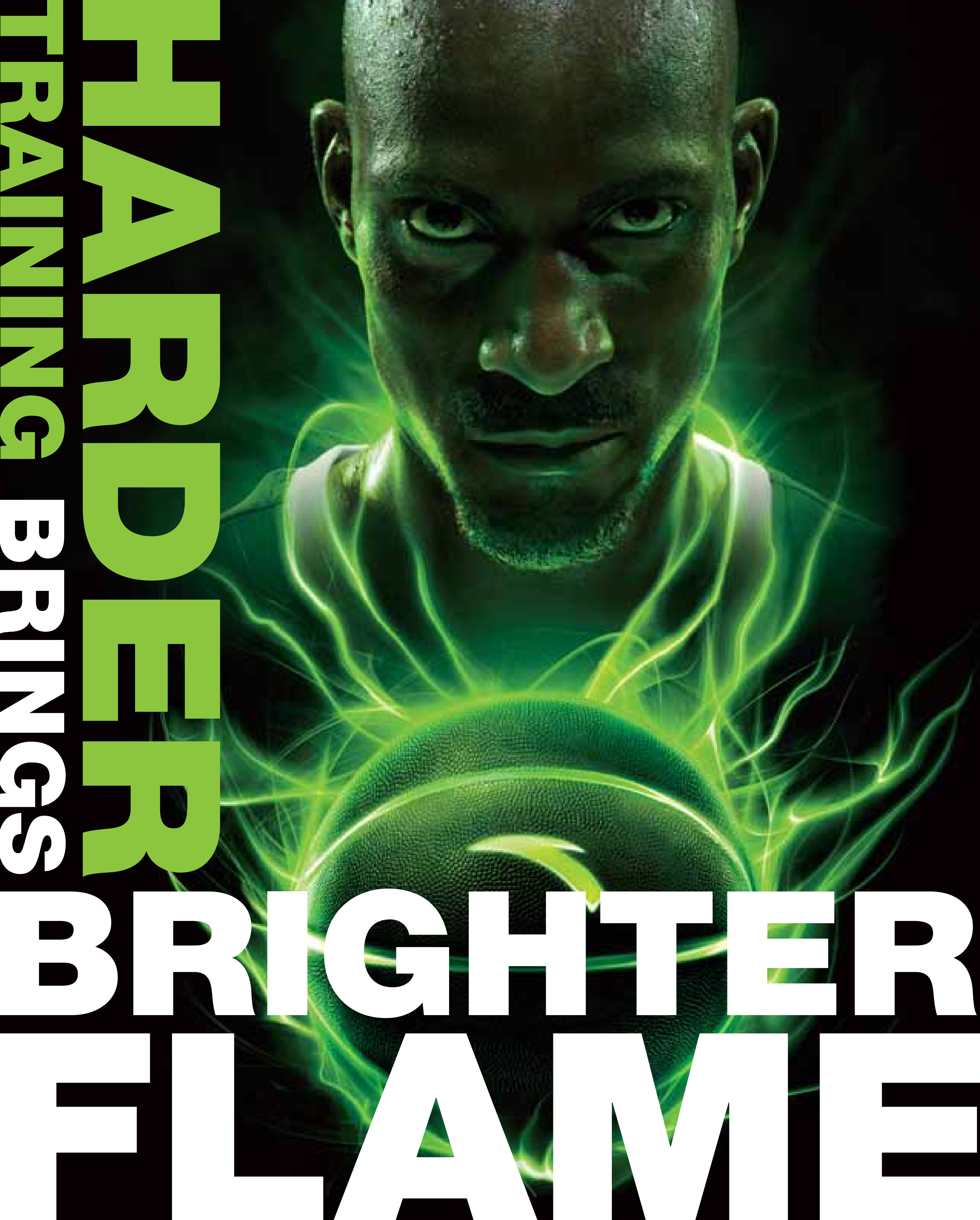
SUPPORT CHINA ALTOGETHER

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

COC

Our strategic partnership with the COC and the CSD has helped distinguish ourselves further from our peers and to solidify our image as the "representative of China's sports industry". The outstanding performance of the CSD also provides an excellent platform for ANTA's winning outfit to showcase in front of numerous Chinese supporters. During the year, the Group continued to raise our brand exposure and desirability by providing ANTA-designed outfit for elite Chinese athletes, who have achieved remarkable results in the 7th Asian Winter Games in February. In June, we also supported the Olympic Day Run to celebrate International Olympic Day and to promote the "Sports for All" movement across China. The event attracted a record of 30,000 long-distance runners in 9 cities, including our renowned endorsed players and employees, all of whom show their Olympic spirit. The success of these sporting events has contributed to reinforcing the ANTA brand and the development of the industry as a whole.

In view of the London Olympics to be held this year, we joined hands with the COC to co-host a series of events to boost the public's enthusiasm for the world's largest sporting event. To celebrate the one-year countdown to the London Olympics and to commemorate the milestone of Xu Haifeng winning China's first-ever Olympic gold medal in 1984, we launched a retro edition of the winning outfit inspired by the design concept of the outfit during that time. Xu presented the retro edition of the winning outfit to ANTA-endorsed table tennis player Wang Hao during the kick-off ceremony, expressing his best wishes to the CSD to achieve excellent results at the London Olympics. Furthermore, the Group continues to leverage various forms of Internet marketing, such as weibo and "AN Town" (http://anta.qq.com), to maximise the effect of ANTA's sponsorship of the COC through interactive games and the provision of information and updates on the COC to consumers. Meanwhile, we have set up "COC Corners" in key stores to showcase the expanded COC-licensed product series and the ANTA-designed winning outfits provided to the CSD for various international sporting events.


HARDER
TRAINING BRINGS
BRIGHTER
FLAME

安踏 • CBA職業聯賽唯一指定運動裝備
ANTA – Sole Equipment and Sportswear Sponsor for the CBA

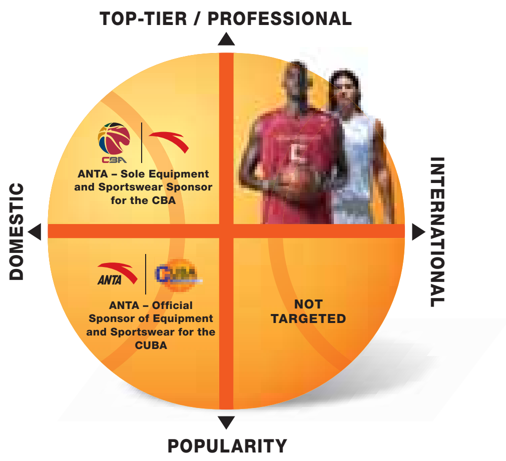
安踏 • CUBA中國大學生籃球聯賽指定運動裝備
ANTA – Official Sponsor of Equipment and Sportswear for the CUBA

BASKETBALL

Basketball is the most popular sport in China and is also one of our core focus. Leveraging our solid basketball resources and interactive marketing campaigns, the Group has effectively enhanced our leadership in the mass market basketball segment. The Group sponsors China's top-tier basketball leagues, namely the CBA and the CUBA, to reach audiences nationwide. Apart from providing sponsored league players with professional basketball gear, the Group also cooperates with the CBA and the CUBA to popularise basketball participation among the general public. During the year, we co-launched activities with the CBA and the CUBA, including the All-stars Weekend, "All-stars North or South" Champion Vote and various training camps.

Our strong ties with Kevin Garnett and Luis Scola, our endorsed NBA players, effectively bolster our competitiveness in the basketball market. During the year, Kevin Garnett and Louis Scola wore ANTA basketball shoes in all competitions as well as in their trainings, providing strong proof of the premium quality and advanced functionality of our products. Both basketball stars visited China and participated in a series of promotional campaigns. They joined forces with the Group to facilitate basketball development in China by coaching promising young players and children. The "Reach Higher" marketing initiatives featuring Kevin Garnett received a massive amount of attention from the public and brought us closer to basketball lovers in China.

During the year, the Group launched a well-rounded marketing campaign which integrates our basketball sponsorship resources with product and in-store marketing promotions. A series of interactive events was launched under the "Basketball is My Life" campaign to strengthen ANTA's leading position in the basketball segment. Along with TVCs, the Group also utilises digital social networks and broadcast media to enhance the differentiation of the brand and boost retail sales. We launched a new series of CBA basketball shoes featuring the "Four Mythical Creatures". The new shoes – White Tiger, Vermilion Bird, Black Tortoise and Azure Dragon – cater to basketball lovers who emphasise strength, speed, control and all-round ability respectively. We also optimised our "KG" and CBA product series, and set up "Grand Basketball Corners" in key stores to further reflect our strong connection with professional basketball.



Luis Scola's China Tour

MAY 29
Participated in the "Street Basketball Contest – Nanjing" with CBA star Tang Zhengdong and displayed his skills to young players

Nanjing

Xian

MAY 25
Participated in the "Street Basketball Contest – Xian" and enjoyed an entertaining basketball shooting game with the Terracotta Army

Chengdu

MAY 24
Participated in the "Street Basketball Contest – Chengdu" and played a 3-point shootout game with China's national emblem, a giant panda

Guangyuan

MAY 23
Visited the Yao Foundation Primary Hope School, a school funded by former teammate Yao Ming's charity foundation

Beijing

MAY 22
Celebrated the grand opening of ANTA flagship store at Capital Indoor Stadium

Kevin Garnett's China Tour

Beijing

AUGUST 23
Coached young players in the "Street Basketball Training Camp" and had an exciting game with the Beijing Media Team and the "Dream Boat" Basketball Team

Shenyang

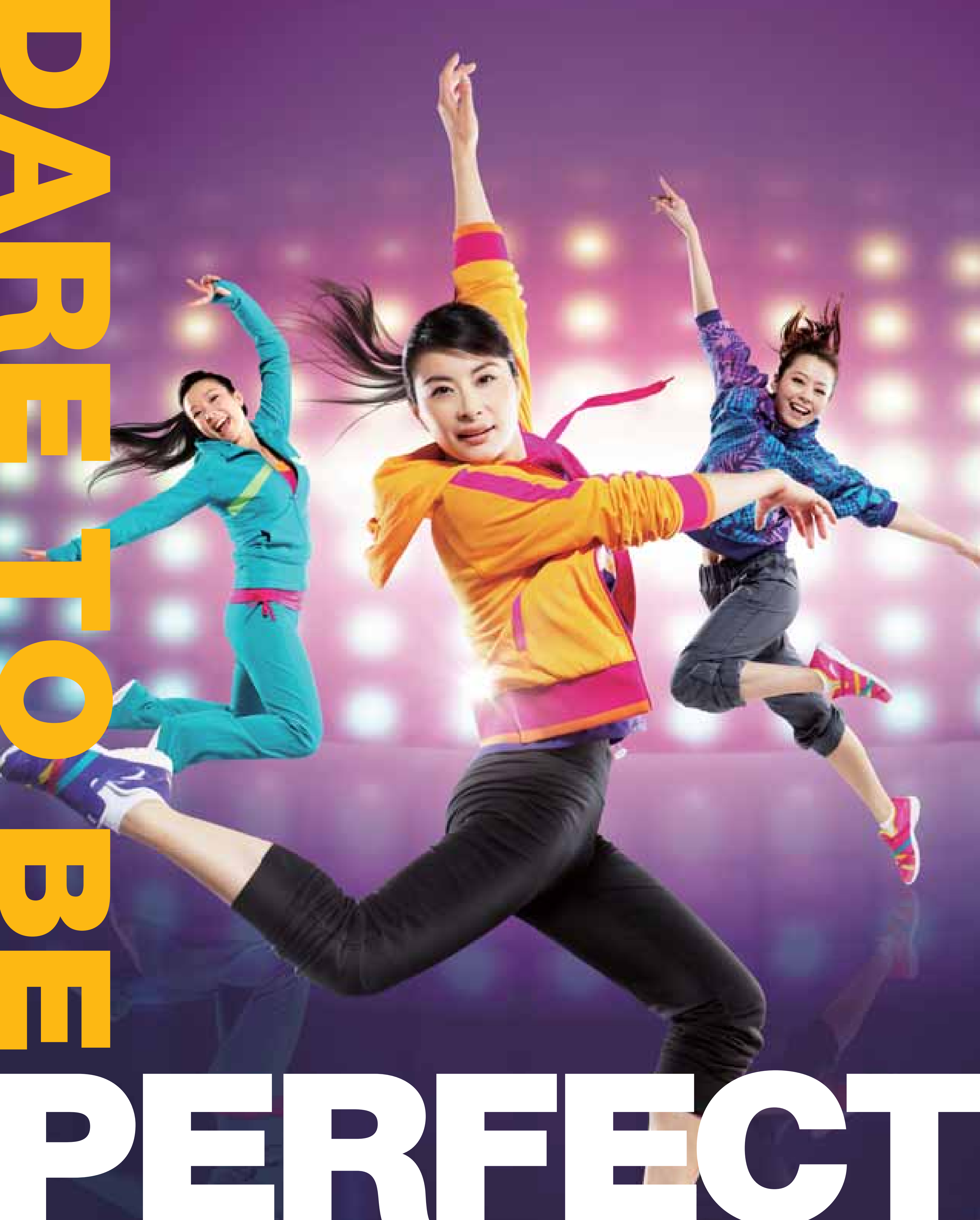
AUGUST 20
Visited Tongze Yuren Special Education School to present gifts of sportswear and his blessings to children

Wuhan

AUGUST 17
Presented autographed basketballs and interacted with fans at Guanggu Plaza

Guangzhou

AUGUST 14
Met fans at Zhengjia Plaza and demonstrated techniques to basketball lovers


DARE TO BE
PERFECT

WOMEN SPORTS

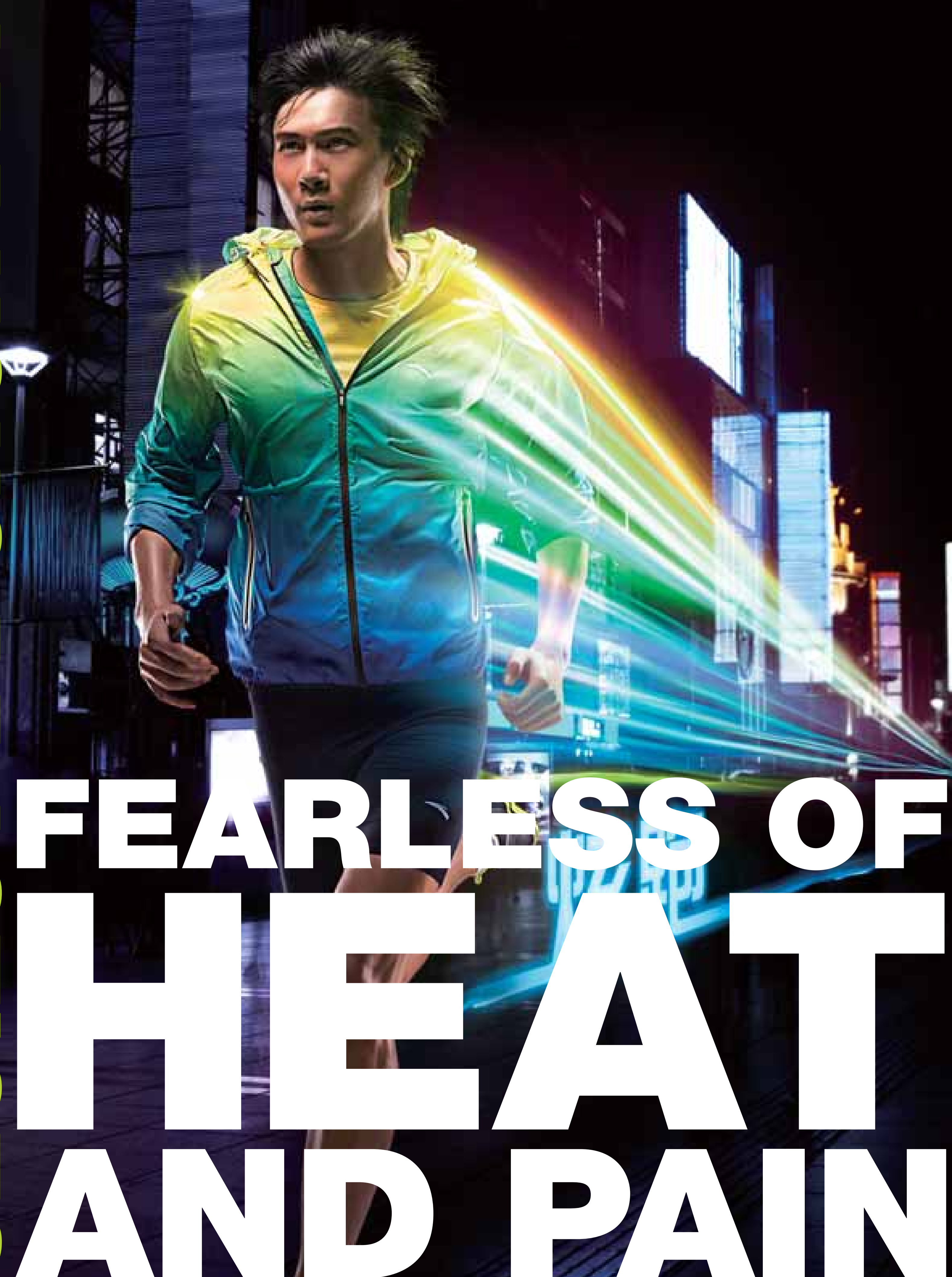
Increasing affluence and growing health awareness among female consumers in China have sparked promising demand for specialised women's sportswear products. To maintain our leading position and expand our presence in this fast-growing market segment, we have enriched our female tennis and cross-training products to form a comprehensive women's sportswear series during the year. The new collection presents 2 unique product lines, "Sports Sculpting" and "Beauty Shaping", to fully address women's needs in both functionality and fashion. The "Sports Sculpting" line offers performance-based products to provide a better fit for women who enjoy body toning exercises. Meanwhile, the "Beauty Shaping" line is fashionably tailored for a woman's full range of dynamics and flexibility when enjoying both sports and leisure activities.

With the aim of drawing female consumers' attention to these new collections and inspiring their enthusiasm for sports, China's "Diving Queen" Guo Jingjing and pop singer Jane Zhang, have become our spokeswomen and have joined hands with our endorsed tennis star Zheng Jie to promote our women's sportswear series. Their healthy and energetic images are perfect representations of the theme of the overarching "Rhythmic Bloom in the Heart" marketing campaign. They also encourage women to venture beyond their personal limitations for a more well-rounded and radiant life. The Group also emphasises a personal touch in the marketing initiatives so as to focus on the specific needs and preferences of female consumers, as well as promoting joy and fitness for both the mind and the body.

The Group is dedicated to sharing the spirit of "Joyful Sports" with female consumers through a wide range of online marketing activities and interactive games. In addition, the Group has cooperated with Sohu to launch the "Live from the Heart" website (http://antawomen.sohu.com/), a platform that allows consumers to access information about fitness and ANTA-designed women's sportswear products. Leveraging our solid R&D resources and product design capabilities, the Group believes that higher levels of sports participation among women will continue to be a growth driver for the Group.

ARDUOUS PRACTICES

FEARLESS OF HEAT AND PAIN



RUNNING

Running is the most popular sport in China and has always been one of the Group's key strategic focus. Our comprehensive range of running products is well-received by professional and casual runners in the mass market. To educate the public on the importance of choosing the right running shoes for their individual needs, our marketing campaigns emphasise the functionality and protectiveness of our running shoes. The Group integrates TVCs and in-store marketing to highlight our advanced footwear technologies in order to strengthen the connection between ANTA and running. Meanwhile, the Group utilises online marketing to raise public awareness of our unique products. Interactive online games, innovative website (http://www.anta.com/a-jelly/index.php) and weibo (http://weibo.com/antarunning) have been launched to extend our reach and to boost sales of our running shoes.

During the year, the Group has continued to enhance the functionality and design of our running products while maintaining our value-for-money principle. We have applied our remarkable A-Jelly footwear technology to our running shoes at different price ranges so as to fit all types of runners. For example, professional runners can enjoy the maximum protection, functionality and premium quality from the SUPER A-Jelly products. Meanwhile, casual runners can enjoy a balanced performance from our MINI A-Jelly products. Long distance runners will find their needs for lightweight footwear fulfilled by the REBOUND and PRO A-Jelly series.

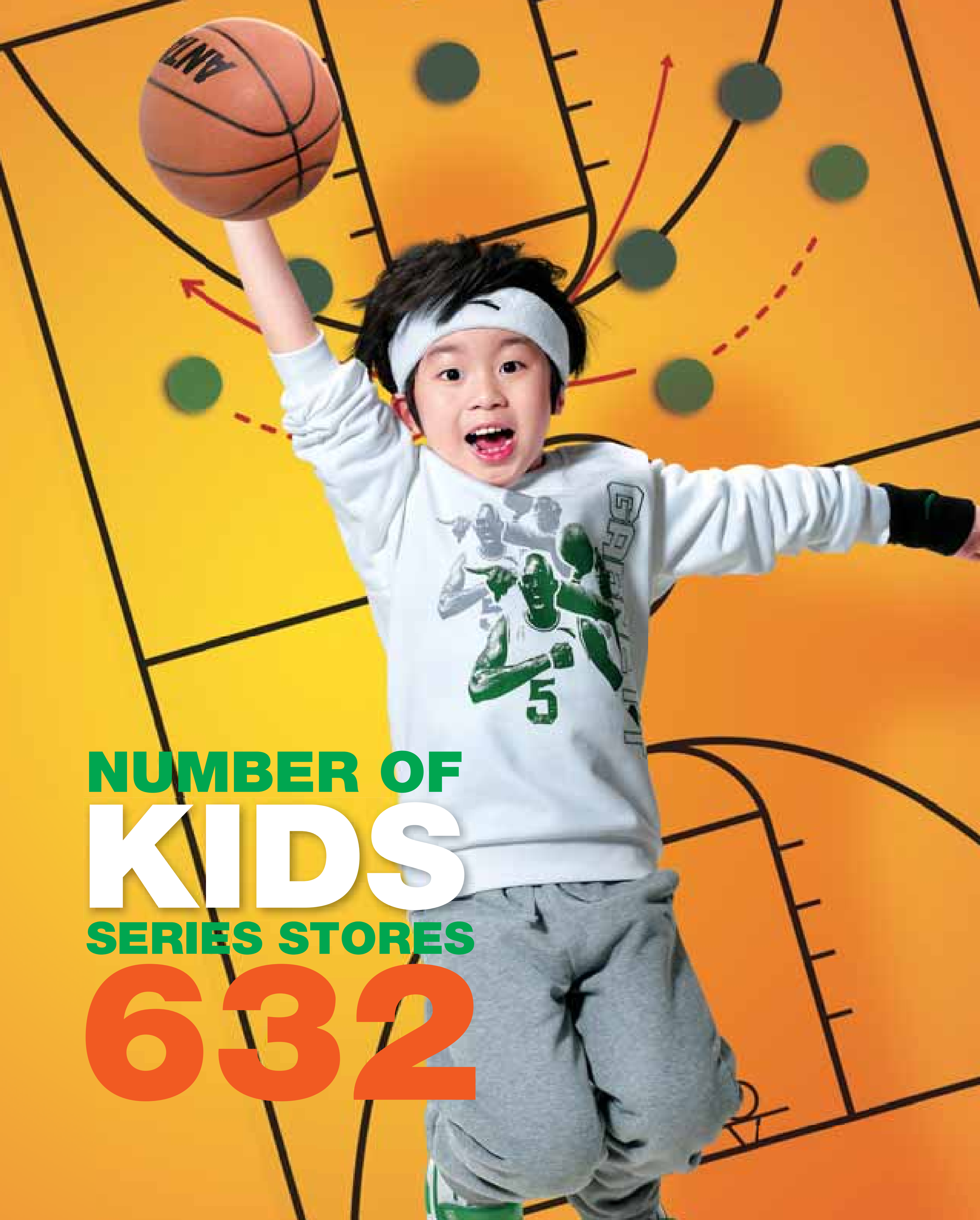

NUMBER
OF SPORTS
LIFESTYLE
SERIES STORES
887

SPORTS LIFESTYLE SERIES

While ANTA's leading position in the performance-based sportswear market has been further solidified, the Group has also gained a foothold in the trendy leisure sportswear mass market. Since its launch in late 2008, the Sports Lifestyle series has attracted a large number of teenagers and young working class aged 16 to 26 who desire trendy leisure sportswear products. During the year, the Group further expanded the product offerings and launched a comprehensive marketing campaign to foster the distinctive image of the series.

The "Great things start today" marketing campaign is an extension of the Group's mission as it embraces the spirit of "Going Beyond Oneself" into everyone's daily life. It encourages consumers to live every day to the fullest by embracing diversity and a positive attitude towards life. The Sports Lifestyle series adopts a navy blue logo which reflects diversity and freedom. The Group also launched a new website to echo the brand image (http://lifestyle.anta.com/#/home) and to provide extensive information on products and stores. The Group cooperates with popular youth associations such as X Games experts and dance clubs to solidify the brand association with the youth. For instance, the Group launched a crossover series with ABS Crew, a famous graffiti team in China. Meanwhile, the Group enhanced the promotional efforts in youth and lifestyle magazines to reach a wider spectrum of target consumers.

The Sports Lifestyle series emphasises a blend of design and colours while using fashionable materials so as to distinguish the series from the performance-based products. The products are developed under different themes and are produced with limited quantities to highlight their special product features as well as for better inventory management. In response to the diverse preferences of teenagers, the Group has further enriched the product mix by adding more apparel and accessories to form a more comprehensive series. In facing the challenging market environment, the Group has prudently expanded the network and optimised the store image and operating efficiency. As at 31 December 2011, there were 887 Sports Lifestyle stores in China (2010: 749), representing a net addition of 138 stores.

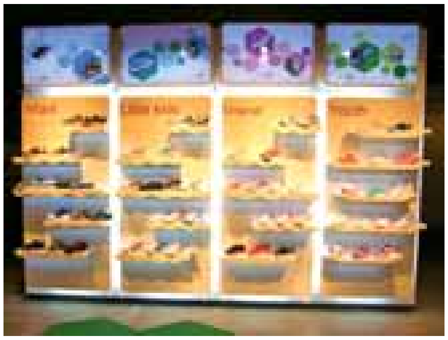


NUMBER OF KIDS SERIES STORES 632

KIDS SPORTSWEAR SERIES

The children's sportswear market has experienced rapid growth over the past few years. Due to rising living standards and the "One-Child Policy", parents are more willing to spend on their children to ensure their well-being and fitness. Moreover, the rapid physical growth of children requires much faster replacement of clothing and footwear. Meanwhile, product functionality and safety have become primary concerns for parents, who are more willing to purchase reputable branded products that assure quality. Leveraging our extensive experience in developing sportswear for adults, our Kids Sportswear series is well-received by parents due to its reliability and good value-for-money.

The Group believes that kids are born free and that their lives should be about more than just studying. Given this philosophy, the Group aims to spread this message through the fun marketing initiatives. During the year, we launched interactive activities to inspire creativity in children and to increase their familiarity with our brand. The Group also places great emphasis on educating the parents about how to choose the right products for their kids. In view of the growing popularity of online communications platforms, ANTA Sports deploys website (http://antakids.com/), Bulletin Board System (BBS) (http://antakids.com/bbs/) and weibo (http://weibo.com/antakids) to share kids-related news and health care information with parents nationwide and beyond.



ANTA's Kids Sportswear series targets children aged 7 to 14 in the mass market with products that emphasise protection and comfort. The Group has a separate R&D team to tailor products to suit kids.

Meanwhile, ANTA Sports continues to expand it's product offerings to enhance the customer experience and brand loyalty as early as childhood. Furthermore, we have strategically expanded our network to enhance our penetration into the children sportswear market. As at 31 December 2011, there were 632 Kids Sportswear series stores (2010: 383), representing a net addition of 249 stores.


FILA
100th
ANNIVE

CELEBRATION

ERSARY


THE GAME
NEVER
LOOKS THE
SAME AGAIN
MIX OF ATHLETIC AND
AESTHETIC, AUTHENTIC
AND FASHIONS, ITALIAN
AND COSMOPOLITAN

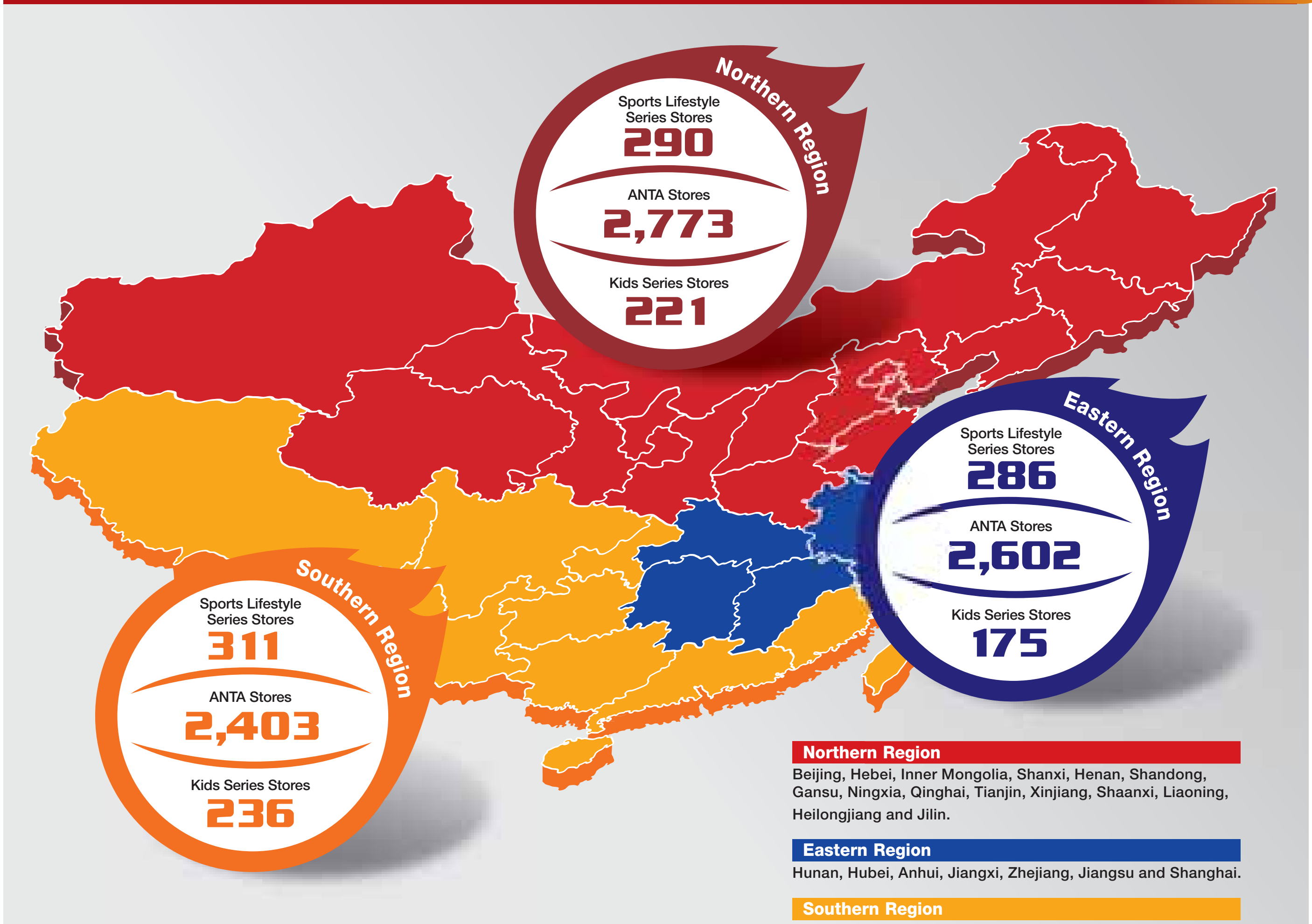
FILA BUSINESS IN THE PRC

FILA is a well-known global sportswear brand that targets the high-end market segment. The Fila business in the PRC acquired by the Group will help tap the potential in China's high-end sportswear market. We exert every effort to strengthen our presence through strategic store openings in key locations of major cities in China. As at 31 December 2011, our distributors and franchisees have been operating over 220 FILA stores in China. Meanwhile, the Group operates FILA stores in Hong Kong and Macao, further extending the brand's reputation to the PRC Market.

In order to raise awareness of the FILA brand and its impact on the young elite segment in China, the Group hosted the "Back to the Past FILA Century" event to celebrate FILA's centennial, showcasing both its classic and new collections. The success of the event marked the strong beginning of our plans to rejuvenate the FILA brand. A series of eye-catching marketing campaigns will be launched to capture the attention of consumers and to boost FILA's brand recognition in China. Moreover, we are dedicated to optimising the image of FILA stores through the launch in 2012 of the 3rd generation store layout, which fully embodies FILA's stylish, casual and sporty brand concept.

Since the acquisition of the Fila business in the PRC in 2009, the Group has integrated our R&D and design talents in China and Hong Kong, experienced supply chain partners, together with Fila's worldwide resources to differentiate and diversify Fila products. We adhere to the heritage and uniqueness of the FILA brand and aim to introduce trendy fashion elements to its new products for our targeted consumer groups in China.

NATIONWIDE DISTRIBUTION NETWORK



Nationwide distribution and retail network as at 31 December 2011

NATIONWIDE DISTRIBUTION NETWORK

ANTA Brand in the China Market

The moderation of economic growth and inflation has affected the spending behaviour of consumers in China. Excessive inventory and deep discounting also intensified the competition in the sportswear sector in China. In view of the market changes, the Group has adopted a flexible approach in opening and consolidating stores to improve network efficiency. The Group has further optimised the management system and cooperation with our distributors and franchisees to monitor retail performance and to identify network issues. Uncertainty in the sportswear sector not only brings challenges, but also new opportunities. The Group proactively encourages retailers to upgrade on the basis of the 6th generation store image as to enhance our leading position in the mass market. Furthermore, the Group has strategically expanded our e-commerce business in order to explore a new mode of sales and distribution channel.

1. Sustainable ANTA Retail Network

Leveraging our extensive experience in network management, the Group has established solid competitive strengths in the 2nd and 3rd tier cities. In order to maintain sustainability in the ever-changing market, the Group prioritises our strength on enhancing store efficiency over store number expansion. During the year, the Group prudently penetrated into high growth areas while consolidating smaller stores. As at 31 December 2011, the number of stores grew by 229 to 7,778 (end of 2010: 7,549). Greater effort was committed to the optimisation of store size and location. Total sales floor area and average sales floor area per store were approximately 959,000 sq. metres and 123 sq. metres respectively.

2. **Effective Network Planning and Management System**

The Group further communicated and cooperated with our regional distributors and franchisees to boost their confidence in ANTA in order to work together towards enhancing network efficiency. Our experienced sales teams located in 3 regional centres offer timely support to retailers. By sharing with retailers insights learned from our past experience, the Group effectively guides their store expansion plans and trade fair order estimates so as to optimise their profitability. The Group also provides training and guidance on inventory management and customer service to improve the retailers' operating capabilities. Meanwhile, the Group involves distributors in setting key performance targets such as inventory ratio and retail discount levels so that they will have clear accountability and sales targets.

The Group continues to enhance our analytical capabilities and network management system for timely evaluations as well as strategic planning. Through the real-time ERP system, weekly reports submitted by POS and frequent channel checks by our sales people, the Group monitors the retail and inventory performances down to the store level. Analyses and feedback with regard to sales and product performance are shared with retailers on a regular basis. These measures are important for remaining our competitive and sustainable in the long run.

3. **Outstanding Store Image**

To maintain the competitiveness of our distribution network, the Group is dedicated to strengthening our store image with better shop decoration and display. The Group standardises display guidelines and store layout to ensure consistency with the brand's ideology. During the year, the Group took another leap forward by launching the 6th generation stores. The Group provides display equipment and promotional materials to encourage the adoption of the latest store image. The new image not only creates new shopping experience but also better customer bonding. Furthermore, 15 flagship stores in strategic location has also showcased our differentiated brand image and diversified products. The Group has also set up "COC Corners" and "Grand Basketball Corners" in key stores to highlight the features of special products series.

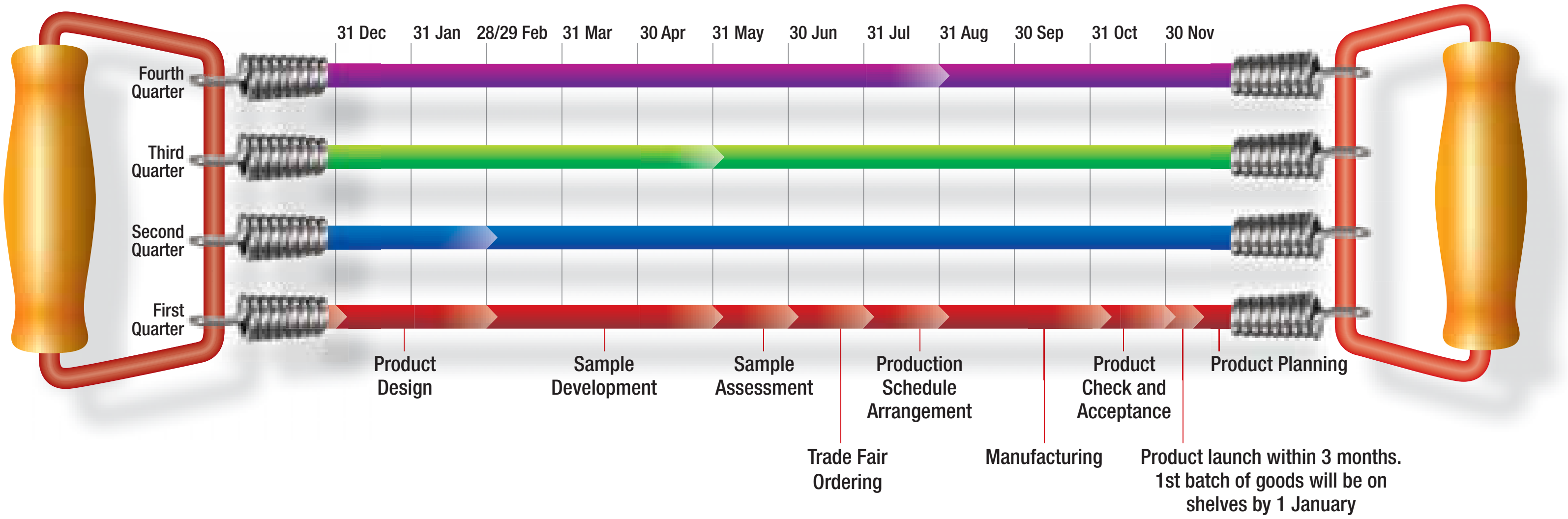
ANTA Brand in E-commerce Business

To capture the growing demand in online shopping, the Group progressively enhanced our footprint in the online business. Besides the collaboration with popular e-commerce platforms including taobao.com, letao.com, amazon.cn and okBuy.com, the Group also launched official online flagship stores at S.CN and 360buy to reach more online shoppers. During the year, the Group received the "Best Operations Award" at the "2011 Asia Pacific E-Commerce Green Economic Development cum Enfogrowth Analysys E-Commerce Best Implementation Case Study Award Presentation Ceremony". This award highlighted the market's recognition of our vigorous growth and continuous improvement in the e-commerce business.

ANTA Brand in Overseas Markets

Global economic instability has brought certain impact to our overseas business. In view of this, the Group is prudently exploring opportunities in selected overseas markets that include Southeast Asia, Eastern Europe and the Middle East. Leveraging our partnership with the COC and international endorsers such as Kevin Garnett and Luis Scola, the Group has been gaining stronger international exposure which helps build a solid foundation for our further growth in the overseas markets.

Cycle Of Product Design, Production And Delivery



SUPPLY CHAIN MANAGEMENT

Product innovation and quality is the key to maintain our market leadership in times of uncertainty and rapid market consolidation. Being the top seller for travel and sports shoes in China for 10 consecutive years and the only sportswear brand named one of the "China's 25 Most Innovative Companies 2011" by Fortune magazine (Chinese Edition), the Group is well-known for our advanced technology and cutting-edge design. Our A-Jelly footwear technology passed the evaluation tests by the Quanzhou Technology Bureau and received the "Technology Innovation Award" in the 2010 Public Appraisal of "Most Pioneering Equipment for Modern Campus" campaign, which demonstrates our premium value of this technology. Our flexible supply chain and solid execution capabilities allow us to promptly respond to the ever-changing market while ensuring that we offer our customers the best value for money. Moreover, we are committed to optimising our operational efficiency and risk control measures so as to remain competitive amid intense competition in the industry.

Supply Chain and Operational Management

Our effective and reliable supply chain network enables the Group to make timely and appropriate decisions to respond the changes in consumer preferences and market conditions. Our cohesive relationships with our suppliers, OEMs and ODMs, as well as our in-house production capabilities allow us greater flexibility to adjust our production schedules and to meet unforeseen demand. We are also committed to optimising our operating efficiency and risk control measures so as to stay competitive amid inflationary pressures. Meanwhile, our procurement team cooperates with our supply chain partners to monitor the raw material costs and market trends, as well as to arrange the collection of material orders to enjoy mass purchase discounts.

Product Innovation

The Group spares no effort in enhancing our product technology and design as we believe that our consumers deserve to have comfortable and protective sportswear that is also affordable. The Group continues to strengthen our internal R&D and design capabilities and collaboration with external institutions to achieve important breakthroughs. Advanced technology from DuPont, 3M and Outlast Technologies, Inc. are applied to enhance our product differentiation and functionality. The Group has further improved and diversified our technology to different product categories, catering to both professional users and casual consumers. For example, A-HardcourtRB was designed as an outdoor basketball shoe featuring improved durability, while A-Twist and Superflexi were used in female footwear product lines in order to enhance protection and comfortableness during cross-training.

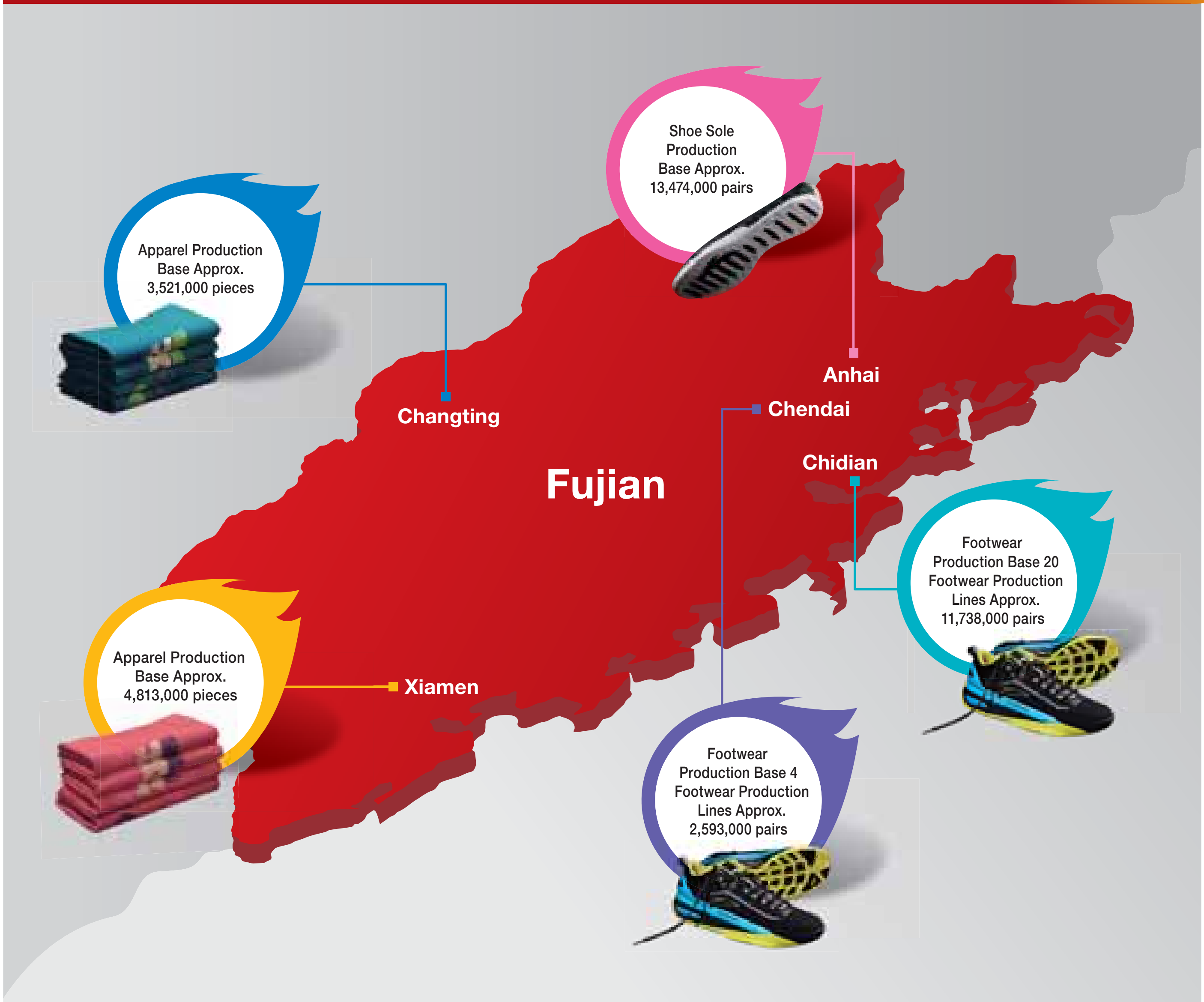
To improve the responsiveness to market changes, the Group continues to fine tune the look and feel of our products in order to meet the evolving preferences of our consumers. During the year, the Group introduced 2,400, 3,600 and 1,600 new styles to the footwear, apparel and accessories portfolios, respectively. Furthermore, the feedback and R&D findings gathered from our endorsed athletes regarding the sponsored outfits have allowed us to customise these cutting-edge fabrics and technology for use in the mass market products.

ANTA'S Footwear Technology

Quality Control

Product quality plays an important role in consumers' purchasing decisions, especially for footwear. Therefore, comfortableness and protection have always been ranked at the top of our list of priorities. Beginning at the product planning stage, the Group sets stringent quality control measures to ensure that all products comply with national quality standards. Our ANTA Technology Centre has also adopted scientific and systematic tests to identify and minimise possible problems concerning raw materials, production processes and finished products in both our own factories and in our supplier's production facilities.

PRODUCTION BASES IN FUJIAN PROVINCE



The Group also endeavours to raise the quality of the sportswear industry in China. We share industry news with our suppliers and support them in boosting their quality control capabilities. Regular evaluations and workflow guidance are also provided to suppliers to encourage ongoing improvements. Meanwhile, the Group actively participates in several national and industry standard setting committees, with the aim of boosting technical standards and the image of the industry.

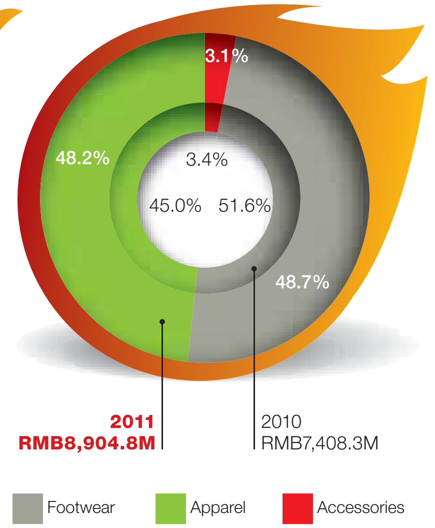
Production Capabilities

The Group strategically utilises a mix of in-house and outsourced production in order to maintain flexibility in spite of market uncertainty. During the year, approximately 14.3 million pairs of ANTA footwear and 8.3 million pieces of ANTA apparel were produced in-house. The respective proportions of self-produced footwear and apparel being procured were 36.9% and 14.4% (2010: 41.1% and 15.6%). The graph above sets out the details of the Group's production bases and the quantity of products manufactured at each base during the year.

Turnover Breakdown by Product

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

	Year ended 31 December				
	2011		2010		Changes
	(RMB million)	(% of turnover)	(RMB million)	(% of turnover)	(%)
Footwear	**4,334.8**	**48.7**	3,824.9	51.6	13.3
Apparel	**4,288.4**	**48.2**	3,333.0	45.0	28.7
Accessories	**281.6**	**3.1**	250.4	3.4	12.5
	8,904.8	**100.0**	7,408.3	100.0	20.2



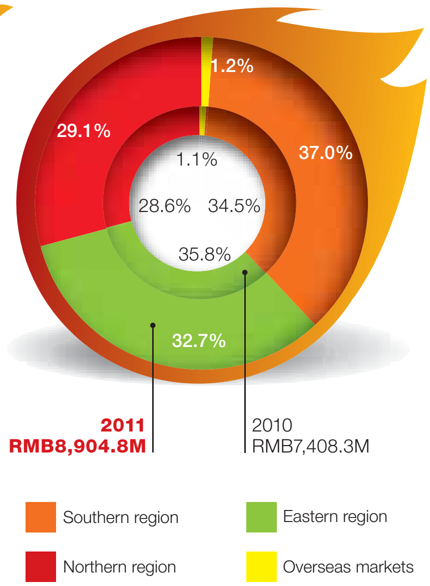
During the financial year, turnover increased by 20.2% as compared with 2010 because of the increase in ASP, additional product offerings and expansion of the distribution network. The share of apparel and accessories in sales increased from 48.4% for 2010 to 51.3% for the financial year. It reflected that our apparel and accessories 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 year:

	Year ended 31 December				
	2011		2010		Changes
	(RMB million)	(% of turnover)	(RMB million)	(% of turnover)	(%)
Eastern region(1)	**2,914.3**	**32.7**	2,647.6	35.8	10.1
Southern region(1)	**3,291.6**	**37.0**	2,559.5	34.5	28.6
Northern region(1)	**2,595.3**	**29.1**	2,118.9	28.6	22.5
China market	**8,801.2**	**98.8**	7,326.0	98.9	20.1
Overseas markets(2)	**103.6**	**1.2**	82.3	1.1	25.9
	8,904.8	**100.0**	7,408.3	100.0	20.2

Notes:
(1) For details of region coverage, please refer to page 44.
(2) Overseas markets include Eastern Europe, Middle East and Southeast Asia.



The share of turnover by region becomes more balanced which represents our ultimate aim to lessen the seasonality effect on our supply-chain.

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 year:

	Year ended 31 December				
	2011		2010		**Changes**
	(RMB million)	**(% of cost of sales)**	(RMB million)	(% of cost of sales)	(%)
Self-production					
Raw materials	**637.2**	**12.4**	529.4	12.5	20.4
Direct labour	**291.5**	**5.7**	315.9	7.4	(7.7)
Overhead	**254.2**	**4.9**	206.7	4.9	23.0
	1,182.9	**23.0**	1,052.0	24.8	12.4
Subcontracting arrangement					
Raw materials	**45.1**	**0.9**	320.6	7.6	(85.9)
Subcontracting charges*	**32.2**	**0.6**	244.0	5.7	(86.8)
	77.3	**1.5**	564.6	13.3	(86.3)
Outsourced production					
OEM/ODM	**3,882.2**	**75.5**	2,621.1	61.9	48.1
Total	**5,142.4**	**100.0**	4,237.7	100.0	21.3

* *The subcontracting charges stated in note 4(b) to the consolidated financial statements included raw material processing fee. Such fee is included in the cost of raw materials in this analysis.*

The Group has engaged more OEM/ODM to meet with the increasing demand from distributors so that the Group is able to increase its lateral production capacity.

Gross Profit and Gross Profit Margin Breakdown by Product

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

	Year ended 31 December				
	2011		2010		**Changes**
	Gross profit (RMB million)	**Gross profit margin (%)**	Gross profit (RMB million)	Gross profit margin (%)	(% points)
Footwear	**1,848.2**	**42.6**	1,706.6	44.6	(2.0)
Apparel	**1,801.0**	**42.0**	1,358.7	40.8	1.2
Accessories	**113.2**	**40.2**	105.3	42.1	(1.9)
Overall	**3,762.4**	**42.3**	3,170.6	42.8	(0.5)

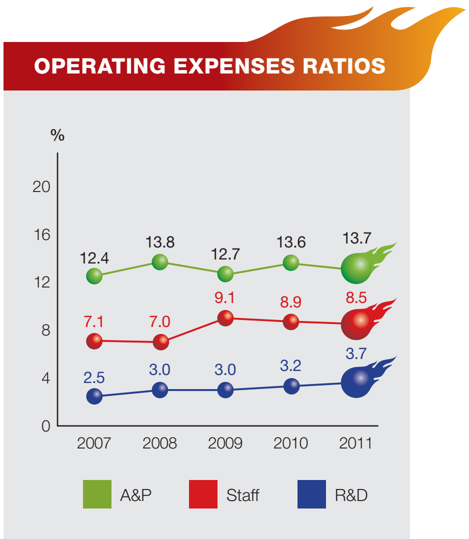
The overall decrease in gross profit margin mainly represented the impact on the newly imposed city construction tax and education surcharge by the PRC tax bureau since December 2010.

Other Revenue

Other revenue for the financial year mainly represented government grants of RMB70.0 million (2010: RMB33.3 million).

Operating Expenses Ratios

The ratio of advertising and promotional expenses to turnover has increased by 0.1% points for the financial year, representing our continuous effort on brand building. The ratio of staff costs to turnover has decreased by 0.4% points as our management team has achieved operational efficiency during the financial year. The ratio of R&D costs to cost of sales has increased by 0.5% points in line with the Group's R&D strategy.



Operating Profit Margin

Operating profit margin decreased by 0.8% points which is more than the 0.5% points decrease in the gross profit margin for the financial year, which was mainly due to the increase in expenditures, partially offset by the increase in government grants.

Net Finance Income

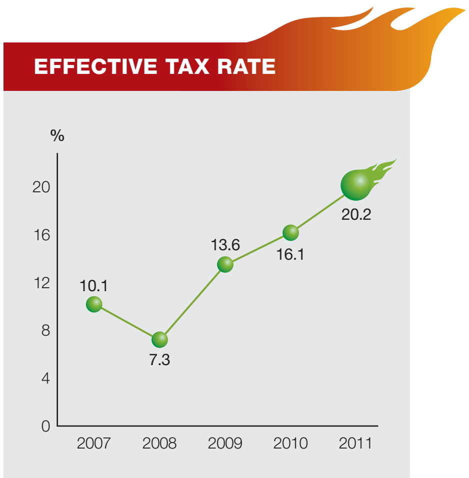
The increase in interest income was mainly due to placement of longer tenor deposits with higher interest rate during the financial year.

Effective Tax Rate

Effective tax rate increased from 16.1% for 2010 to 20.2% mainly because of the following:

- Certain subsidiaries in the PRC which were entitled to a lower preferential tax rate in 2010 have been subject to a higher preferential tax rate since 1 January 2011; and

- Distributions of the earnings accumulated since 1 January 2008 of a foreign-invested enterprise in Mainland China to a Hong Kong incorporated holding company 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 year.



Margin of Profit attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 1.5% points which is due to the 0.8% points decrease in operating profit margin for the financial year and the increase in the effective tax rate.

Dividends

The Board has recommended a final dividend of HK26 cents per ordinary share in respect of the financial year, together with payment of an interim dividend of HK26 cents per ordinary share, representing a total payout of RMB1,056.9 million (2010: RMB959.5 million), or a distribution of 61.1% (2010: 61.9%) of the current year's profit attributable to equity shareholders.

Liquidity and Financial Resources

As at 31 December 2011, the cash and cash equivalents of the Group amounted to RMB3,018.2 million (excluding fixed deposits held at banks with maturity over three months totalling RMB1,410.0 million), representing an decrease of RMB373.0 million as compared with the total cash and cash equivalents of RMB3,391.2 million as at 31 December 2010. The total cash and bank balance (including pledged deposits) was RMB4,443.0 million as at 31 December 2011 (2010: RMB4,300.8 million), representing a 3.3% increase. This is mainly attributable to:

- Net cash inflows from operating activities amounted to RMB1,447.6 million, representing strong working capital management and outstanding operating results.
- Net cash outflows from investing activities amounted to RMB228.1 million (excluding net increase in placement of fixed deposits held at banks with maturity over three months by RMB510.0 million), comprising mainly the capital expenditure amounting to RMB229.8 million.
- Net cash outflows from financing activities amounted to RMB1,059.3 million, mainly representing the payment of the final dividend in respect of the financial year 2010 and the interim dividend in respect of the financial year, offsetting with the cash proceeds on exercise of share options.

As at 31 December 2011, total assets of the Group were RMB8,194.3 million of which current assets were RMB6,769.7 million. Total liabilities and non-controlling interests were RMB1,822.4 million and total shareholders' equity amounted to RMB6,371.9 million. In addition, there were no outstanding bank loans, bonds or debentures.

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

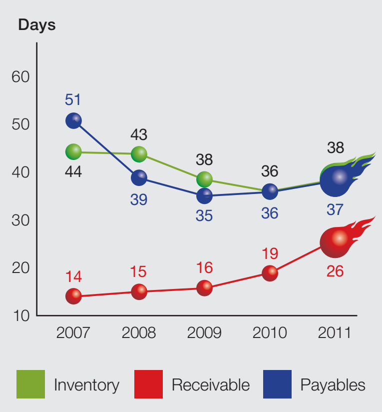
	2011 (RMB million)	2010 (RMB million)
Operating cash inflow	**1,447.6**	1,432.8
Capital expenditure	**(229.8)**	(164.6)
Others	**1.7**	0.8
Free cash inflow*	**1,219.5**	1,269.0
Cash and bank balances (including pledged deposits)	**4,443.0**	4,300.8

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

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. The average receivable turnover days has increased by one week because the Group encouraged the distributors to use the un-utilised credit limit for launching our 6th generation store layout.

ASSETS/LIABILITIES TURNOVER DAYS



Pledge of Assets

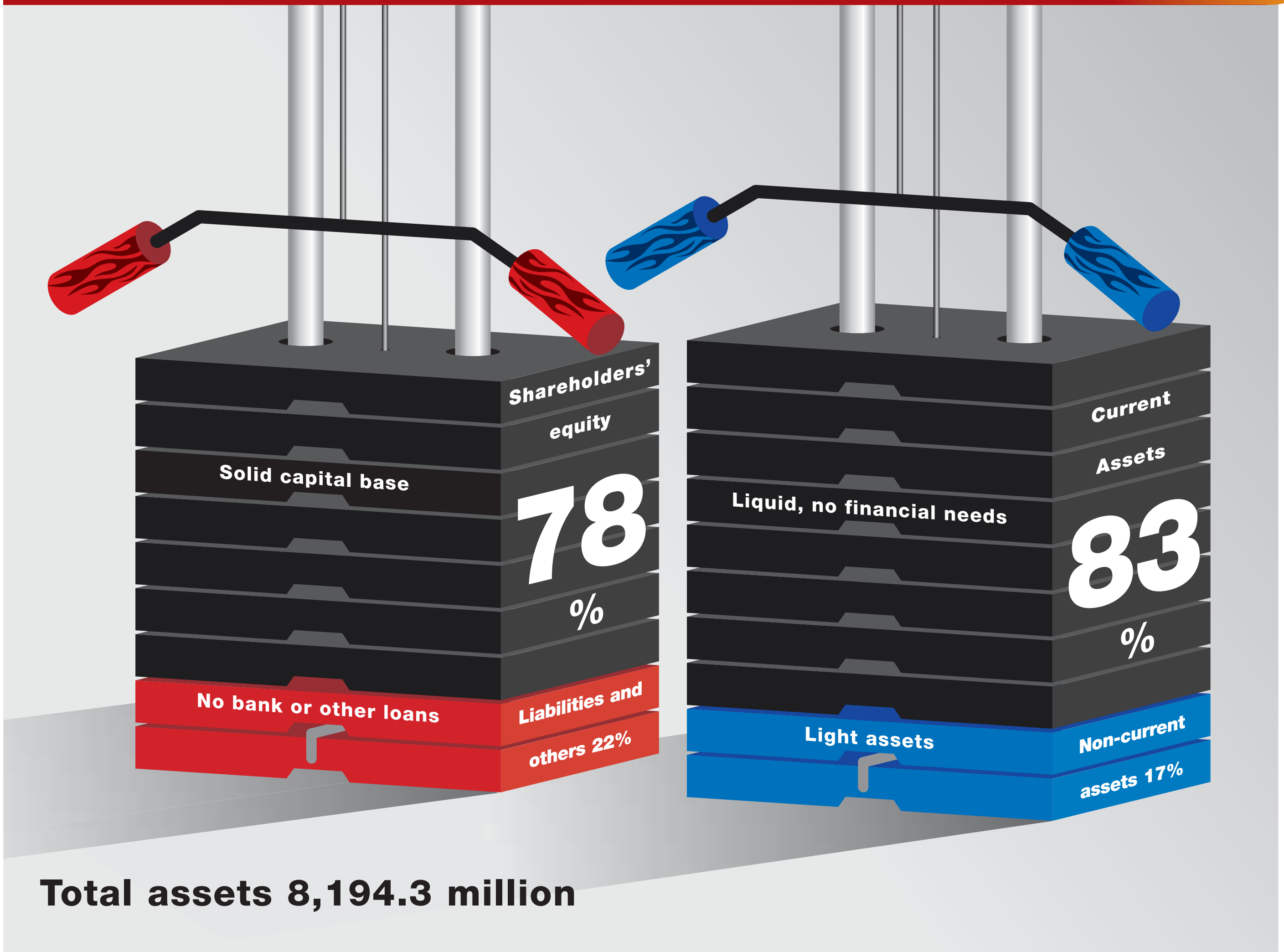
As at 31 December 2011, the Group had bank deposits of RMB14.7 million pledged (2010: RMB9.6 million) to secure bankers' documentary credits for certain construction projects.

Capital Commitments and Contingencies

As at 31 December 2011, the Group had capital commitments of RMB248.1 million, primarily relating to development of new information management systems and the establishment of an operational centre in Xiamen.

As at 31 December 2011, 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.

STRONG FINANCIAL POSITION



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 year, 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 broaden our brand portfolio so as to increase the returns on shareholders' equity.

PROSPECTS

The effects of the slow recovery of the global economy as well as continuing inflationary pressures continue to weigh on GDP growth and consumer sentiment in China. In order to avoid a hard landing and to maintain sustainable economic development, it is generally believed that the Chinese government will speed up the implementation of its economic restructuring plans by spurring domestic demand through resolute policies involving wages increases and urbanisation. Meanwhile, since inflation eased slightly by the end of 2011, policymakers are expected to have more room to loosen the macroeconomic measures currently in place, which would have the effect of boosting consumption. Nonetheless, uncertainties and keen competition continue to cast clouds over China's sportswear market and are exacerbated by inventory overstock and discounting in its distribution channels. Therefore, we will adopt a more prudent approach and will remain devoted to reinforcing our sustainability and competitive edges amid the challenges ahead.

Riding on the London Olympics to Enhance Brand Desirability

The Group is determined to further strengthen ANTA's brand equity and to continue to forge strong links with consumers. We aim to do so by maximising the effectiveness of our comprehensive sponsorship and endorsement portfolio. The London Olympics are expected to draw a considerable amount of attention in China. We believe that our four-year exclusive sportswear strategic partnership with the COC will help raise Chinese sports enthusiasts' affinity for ANTA. With our strong support of the COC and intimate involvement in previous international sporting events, we are fully-prepared to outfit the CSD and Chinese medalists with the most eye-catching and highest quality winning outfit for the London Olympics. Seeing the tremendous market potential in the world's largest international sporting event, a series of Olympics-related marketing campaigns and specially-designed COC licensed products will be launched to enhance the desirability of our brand and products. In addition, our renowned endorsers will join the Group's marketing initiatives and will use their strong influence and popularity to promote sports in China.

Creating Innovative Products to Capture Market Potential

The Group is committed to using our strength in innovation to serve athletes and consumers. Leveraging our talents at the ANTA Technology Centre and our external partners, we will make the best use of our R&D resources to optimise our core technologies and to enhance the functionality of our products. Our new series of lighter-weight A-Jelly running shoes will be launched to offer greater comfort for runners. In view of the ever-growing demand for outdoor basketball gear among young basketball lovers, we will further upgrade our A-HardcourtRB technology, a highly durable rubber applied to our street basketball series. To better cater to the growing and increasingly sophisticated demand from female consumers, young people and children, we will further diversify our product portfolio and will capture market potential by continuing to integrate more stylish design elements into our products. Moreover, FILA's unique brand positioning and its differentiated products offer long-term growth opportunities for the Group in the high-end market.

Optimising Our Distribution Channels

The Group continues to foster the sustainability and health of our distribution channels, a key competitive edge that helps us to outperform our peers in China's sportswear market. We will remain cautious in view of uncertain conditions in China's sportswear industry and the domestic retail market. With the aim of reducing inventory risk in our distribution channels, we will follow market trends closely and will provide guidance to our distributors and franchisees at our trade fairs so as to ensure precision in the amount of orders placed. Moreover, we will be more prudent in the expansion of our distribution network amid the challenging environment as we strategically adjust the number of new stores. To help boost sales and maintain competitiveness in our distribution channels, the Group will remain focused on enhancing the quality and efficiency of our stores through the launch of the 6th generation store standard, which features larger sales floor areas and better product displays, as well as the support of refurbishment and consolidation of stores.

Enhancing Operational Efficiency through Solid Management Systems

Looking ahead, sportswear brands and their distributors and franchisees will continue to face keen competition and an increasingly complex market environment due to rising operational costs and persistent discounting at the store level. Through the implementation of our new IT system and enhanced network coverage, we will continue to collect real-time retail data for better surveillance and analysis. We believe that the timely sharing of insightful information and the provision of training not only help our distributors and franchisees to make rapid responses to market changes, but to also enhance their retail performance and operating efficiency in the long run. More importantly, we will fully leverage our highly-efficient supply chain management system to ease operating cost pressures. We will continue to engage in effective actions and measures to strengthen our brand equity, innovation and distribution channels so as to help the Group, our supply chain partners, distributors and franchisees to sustain profitable growth and to remain competitive.

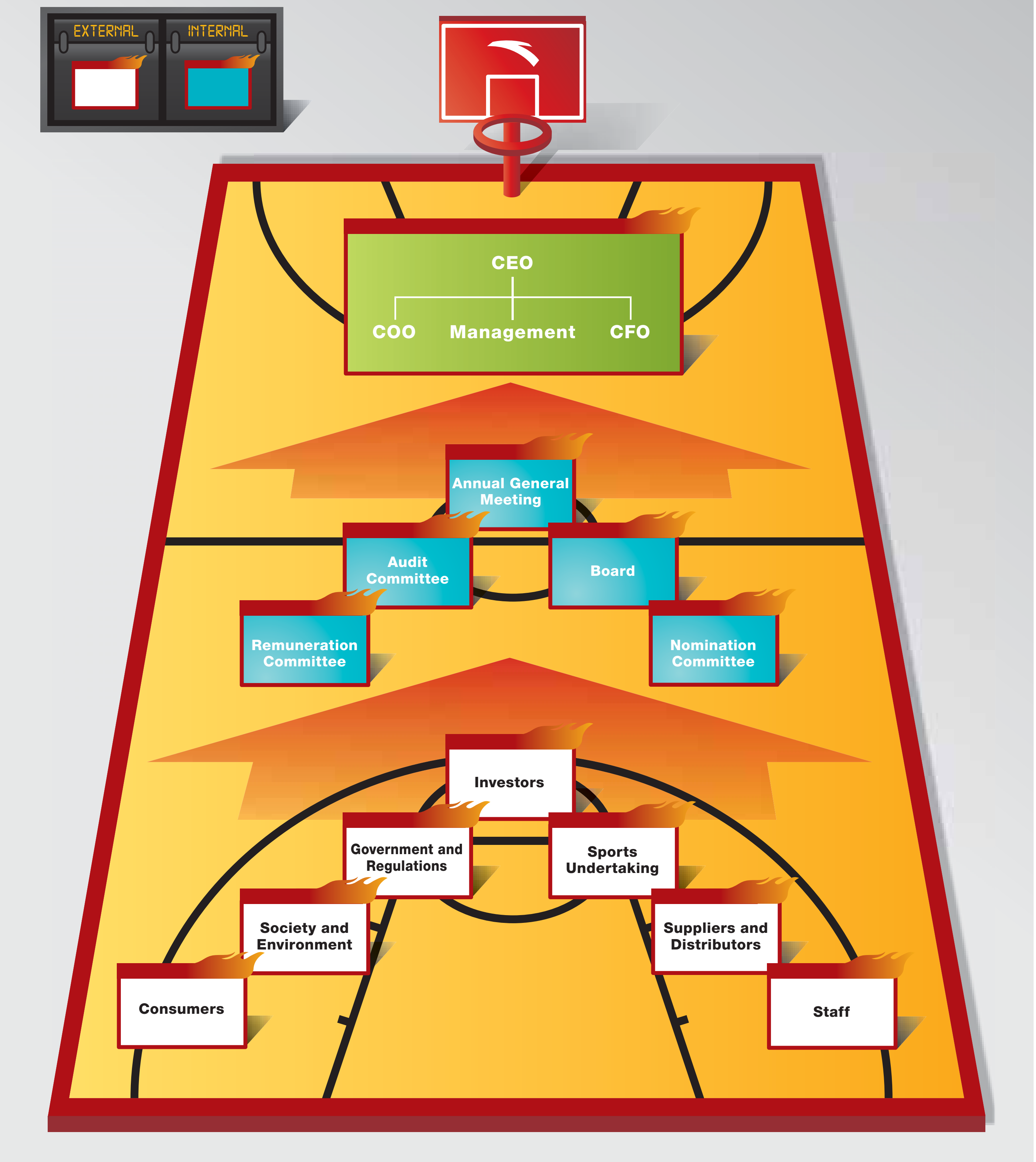
STORE EXPANSION PLAN IN 2012

RHYTHMIC

JANE ZHANG

BLOOM IN THE HEA

CSR


EXTERNAL
INTERNAL
CEO
COO
Management
CFO
Annual General Meeting
Audit Committee
Board
Remuneration Committee
Nomination Committee
Investors
Government and Regulations
Sports Undertaking
Society and Environment
Suppliers and Distributors
Consumers
Staff

Corporate social responsibility is fundamental to the Group's success in creating value for our stakeholders. We integrate sustainability and social responsibility into our business strategies and corporate culture and strive to engage the local community, perform charity work and enhance environmental awareness. The Group is dedicated to sharing our success with not only our shareholders and business partners, but also with our employees and society at large.

ANTA and Society

Contributing to the Community

The Group is committed to fulfilling our responsibilities as a corporate citizen by engaging in a variety of activities that contribute to creating a better society. We encourage our staff, business partners, and endorsed players to take part in charitable work as well. During the year, the Group set up the "ANTA Sunshine Association", a charitable body which aims to nurture young people, promote environmental protection and help the needy. With emphasis on the well-being of the younger generations, the Group's teams of volunteers visited disadvantaged children in various cities across the country, offering them warm wishes. In addition to donating money, stationery, sportswear and gear to schools, the volunteers also organised sports activities for the children so as to spread the spirit and joy of sports. Moreover, our endorsed NBA players Kevin Garnett and Luis Scola demonstrated their compassion and support towards young people in their visits with needy children in Shenyang and Sichuan respectively.

Preserving the Environment

The Group strives to build a better environment through our ongoing efforts in promoting and engaging in environmental protection. We abide by the relevant environmental rules and regulations and encourage our staff to reduce landfill debris by reducing, reusing and recycling. During the year, teams of volunteers from the Group engaged in concerted efforts to build a better environment by cleaning public areas, clearing debris from trails, sweeping autumn leaves, and removing graffiti from fences. Being one of the leading sportswear brands in China, the Group is active in developing ways to incorporate environmentally–friendly practices into our business operations. We explore opportunities to adopt eco-friendly materials such as organic cotton and bio-degradable substances into our product offerings. We will continue to work towards achieving environmental sustainability and will encourage our staff and business partners to strive towards this value.

ANTA and Staff

Developing our People

In our drive towards achieving success, people are our greatest asset. To retain our employees, we foster a rewarding work environment with a fair appraisal system. Furthermore, the Group emphasises personal development as well as career opportunities among employees. We elevate our employees' competencies by offering them a wide range of training opportunities that includes mentoring, on-the-job training and classroom training. Outreach programmes and orientation camps are organised for new recruits to give them familiarity with the Group's corporate culture and knowledge of the Group's brand and our products. As at 31 December 2011, Anta Sports had a total of 11,500 employees (end of 2010: 11,800 employees).

Safeguarding Labour Rights

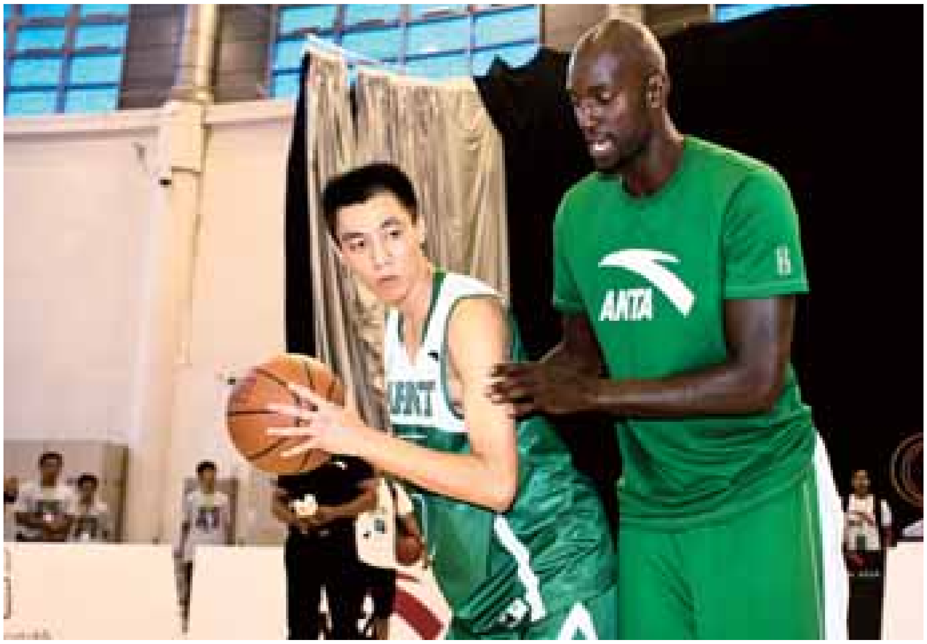
The Group works in full compliance with labour laws, regulations and industry practices such as prohibiting child labour and upholding gender equality. The Group enters into employment contracts with each and every employee to safeguard their interests. We require our business partners to also demonstrate clear commitment to this principle. Moreover, the Group stresses occupational safety and endeavours to establish a safe workplace. To avoid workplace injuries, the Group adheres to stringent safety guidelines and provides our factory workers with adequate protection gear. We also constantly monitor and assess our safety measures and conduct work safety training for our employees so as to ensure that they exercise precautions against accidents.

Offering Competitive Remuneration and Welfare Package

Our success is based on our engaged and committed workforce. To attract and retain talent, the Group offers our staff competitive remuneration packages and comprehensive welfare programmes. In addition to regular body checks and seminars on living healthy lifestyles, we offer our employees a variety of educational, social, sporting and volunteering activities that include birthday parties, outings, sports club events and basketball competitions to boost morale and enhance a sense of belonging among the staff. The Group is committed to promoting a healthy work-life balance and thus provides staff with sports and leisure amenities such as tennis and basketball courts, leisure centres and gym facilities. We spare no effort in ensuring an ideal work environment. During the year, we have enhanced the quality and variety of the food in the staff canteens and have also refurbished staff quarters in response to employees' feedback.

Cultivating a Corporate Culture of Excellence

The Group fully understands that a set of well-defined values in our corporate culture is the key to achieving long-term success. We are dedicated to establishing a strong corporate culture so as to guide our staff to adhere to our core values and to achieve our strategic goals. During the year, we continued to reinforce our corporate culture programme with a wide range of training activities and campaigns to help both our staff and our business partners to appreciate our mission and strategies. We respect our employees' opinions and encourage innovative ideas and lateral thinking. We consider suggestions from our staff while formulating policies. Various channels such as "CEO Day", employee satisfaction surveys and regular forums are established to facilitate two-way communications so that our management can understand our employees' needs in a more effective manner.



ANTA and the Sportswear Industry

Promoting Participation in Sports

The Group is committed to bolstering the development of the sportswear industry. We sponsor top-tier sports leagues such as the CBA and the CUBA and collaborate with our endorsed players to encourage public participation in sports. Riding on our partnership with COC, we sponsored the 25th Olympic Day Run in June to promote the Olympic spirit and the "Sports for All" movement. In addition, ANTA Sports was the title sponsor of the "ANTA CCTV Sports Personality Awards", the most prestigious sports awards for China's top athletes, which is also known as the "Oscars" of China's sports community. Apart from providing sponsorships, the Group also took part in industry events such as the 13th International Shoe Expo and the "27th China International Sporting Goods Show" during the year to promote the industry's image.

Nurturing Young Talents in Sports

The Group is dedicated to nurturing promising young Chinese athletes. During the year, the Group sponsored events such as off-season training camps with the CBA and the CUBA, as well as the Zheng Jie Cup Youth Tennis Competition, in order to foster young athletes and to help to further develop their talent. We also leveraged the influence of the CBA All-stars Weekend for the sake of charitable causes such as by making donations to the China Youth Development Foundation. In May, the Group was among the 1st group of enterprises to support the "Champion Fund", jointly launched by retired medalist Yang Yang and the Red Cross of China, which aims to address the needs of retired athletes and to promote sports among young people in China.

Facilitating the Advancement of the Sportswear Industry

The Group works relentlessly to improve the quality of our products. We believe that the provision of superior quality sportswear products not only improves the athletes' performance in sports, but also enhances the professional image and credibility of China's sportswear industry as a whole. We dedicate effort to product innovation and to enhancing our internal R&D capabilities and external collaborations with renowned professional institutions. We also give our full support to our suppliers in their efforts to improve product quality. Leveraging our strong connections with standard-setting bodies at the national and industry levels, we frequently share our knowledge and expertise with our industry peers and are involved in establishing and continually improving the standards of product quality in China's sportswear industry.

ANTA and Distributors and Franchisees

To ensure the sustainability of our business, we strive to assist our retailers to overcome challenges in the industry and to help them maintain continuous healthy development. In addition to providing retailers with standardised display equipment and promotional materials for the stores, our experienced sales teams maintain effective communications with retailers and offer them timely support. The Group also keeps a close eye on the retailers' performance. We share our market insights and analyses with our retailers so as to enhance their competitiveness and profitability. Training and guidance are provided to help retailers make appropriate decisions and plans on store openings, product ordering and inventory management.

ANTA and Suppliers

Advancement of our suppliers, OEM and ODM is vital to the success of ANTA Sport's supply chain management. Accordingly, we treat our suppliers as ongoing partners and aim to share our corporate culture with them. The Group actively shares with our suppliers best practices on enhancing their management and operations as well as R&D capabilities so as to guarantee the suppliers' control over product quality. Moreover, the Group is devoted to achieving mutual benefits with our suppliers through collaboration in efforts such as the collective procurement of materials to ease the inflationary pressures.

ANTA and Consumers

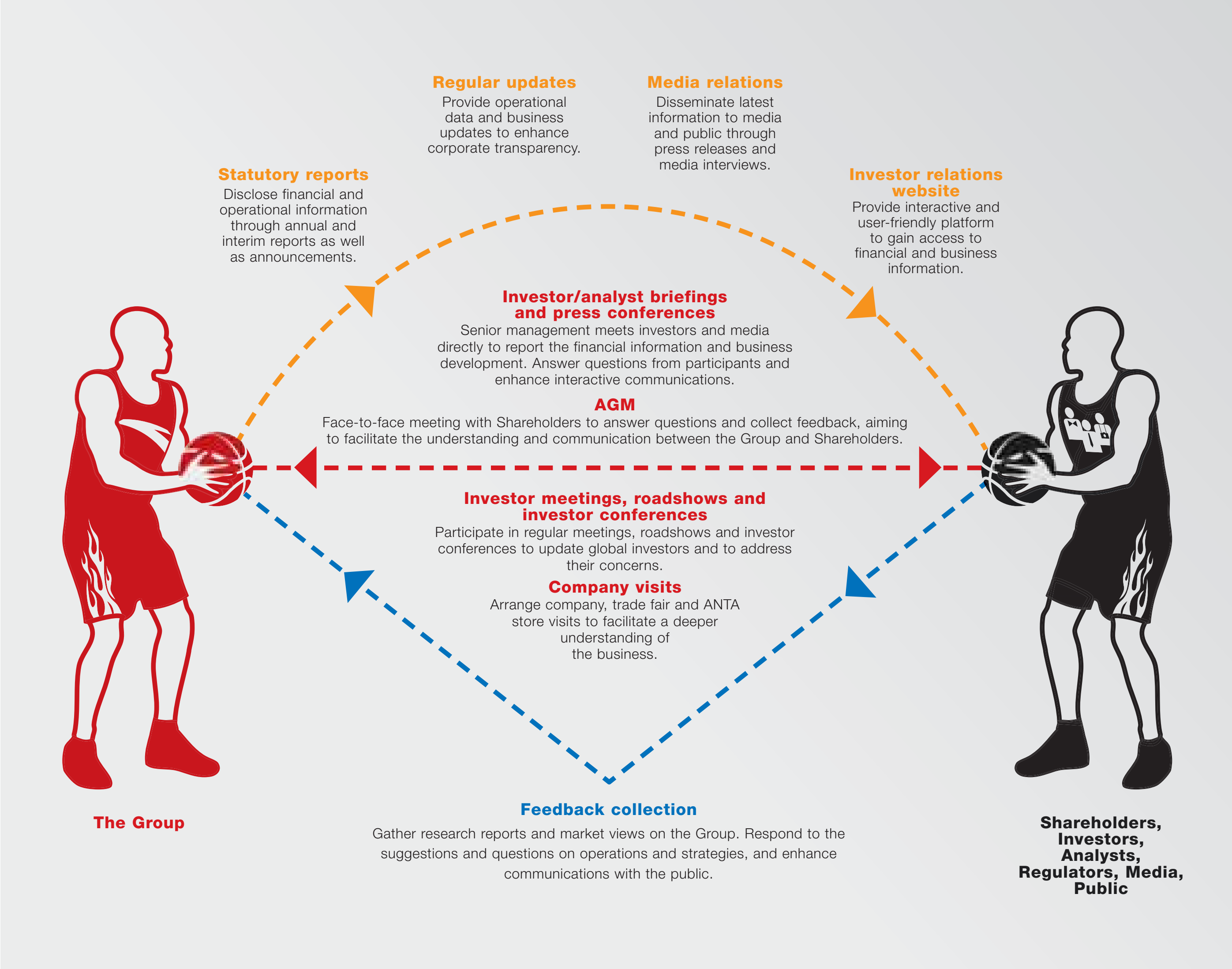
The Group is committed to offering our customers high-quality sportswear products with superior functionality. We constantly enhance our R&D capabilities and require our factories, OEM and ODM to strictly follow stringent quality control standards. The Group also works closely with our retailers to provide customers with an enjoyable shopping experience by optimising store image and service quality. In addition, we value the opinions of consumers and seek their feedback through various communication channels such as product websites, online forums, market surveys and customer service hotlines.

ANTA and Investors

The Group is dedicated to offering the public a fair, prompt and accurate communications platform from which the latest information on the Group can be obtained. The Group disseminates up-to-date information to investors and the public in strict compliance with the Listing Rules, which states that periodic updates and reports are to be distributed in a proactive and timely manner. To facilitate interactive communications between senior management and the stakeholders, the Group regularly organises shareholder meetings, investor/analyst briefings and meetings, roadshows, press conferences and company visits. Investors can also obtain useful information and updates from ANTA's brand and investor relations websites (http://www.anta.com and http://ir.anta.com). During the year, the Group's 2010 annual report was named the Gold winner of the 2011 International ARC Awards and earned an Honourable Mention in the Hong Kong Management Association's Best Annual Reports Awards 2011. Our outstanding annual report also earned us the Honors Award in the Galaxy Awards 2011.

Furthermore, we are honoured to be included in the Hang Seng Corporate Sustainability Index Series for the 2nd consecutive year and to have achieved the Grand Prix for Best Overall Investor Relations (Small or Mid-cap), the Best Overall Investor Relations by a Mainland Chinese Company, the Best Investor Relations by Sector – Consumer Goods & Services (Including Retail), the Best Investment Meetings – Mainland China, the Best Investor Relations Professional – Pan Asia and the Best Investor Relations Professional – Mainland China at the IR Magazine Greater China Conference & Awards 2011.

Interactions between the Group and the Investing Public



A CENTURY OF CLASSIC FASHION

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 31 December 2011.

Principal Place of Business

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

Principal Activities

The principal activities of the Group are the manufacturing, trading and distribution of sporting goods, including footwear, apparel and accessories, in the PRC. The principal activities and other particulars of the subsidiaries are set out on pages 118 and 119 of the annual report.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 1 to the consolidated financial statements.

Major Customers and Suppliers

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

	2011 Percentage of the Group's total		2010 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**4.4%**		7.3%	
Five largest customers in aggregate	**21.0%**		23.2%	
The largest supplier		**5.2%**		6.2%
Five largest suppliers in aggregate		**20.9%**		24.2%

Other than Guangzhou Anda Trading Development Co., Ltd. ("Guangzhou Anda"), a company controlled by a connected person, Mr. Ding Qingliang (details of our transactions with Guangzhou Anda are set out on page 70 of the annual report), at no time during the financial year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on pages 8 and 9 of the annual report.

Consolidated Financial Statements

The profit of the Group for the year ended 31 December 2011 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 80 to 119 of the annual report.

Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB1,730,122,000 (2010: RMB1,551,113,000) have been transferred to reserves. Other movements in reserves are set out in note 25 to the consolidated financial statements.

An interim dividend of HK26 cents per ordinary share (2010: HK20 cents per ordinary share) was paid on 2 September 2011. The Directors now recommend the payment of a final dividend of HK26 cents per ordinary share (2010: HK25 cents per ordinary share) in respect of the year ended 31 December 2011.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB5,158,000 (2010: RMB6,905,000).

Non-current Assets

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, construction in progress, lease prepayments and intangible assets) during the financial year are set out in notes 10 to 13 to the consolidated financial statements.

Bank Loans and Other Borrowings

There were no outstanding bank loans and other borrowings by the Company and the Group as at 31 December 2011.

Share Capital

Details of the movement of share capital of the Company during the financial year are set out in note 24 to the consolidated financial statements.

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

Pre-emptive Rights

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

Directors

The Directors during the financial year were:

Executive Directors

Mr. Ding Shizhong *(Chairman)*
Mr. Ding Shijia *(Deputy Chairman)*
Mr. Lai Shixian
Mr. Wang Wenmo
Mr. Wu Yonghua
Mr. Zheng Jie

Independent Non-Executive Directors

Mr. Yeung Chi Tat
Mr. Lu Hong Te
Mr. Dai Zhongchuan

Details of the Directors' biographies have been set out on pages 77 and 78 of the annual report.

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

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

None of the Directors proposed for re-election at the forthcoming AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within 1 year without payment of compensation, other than statutory compensation.

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

As at 31 December 2011, 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[(2)]	Approximate percentage of interest in such corporation[(1)]
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,438,346,000[(3)]	–	57.67%
	Anta International	Founder of a discretionary trust	4,144[(3)]	–	41.44%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,432,900,000[(4)]	–	57.45%
	Anta International	Founder of a discretionary trust	4,084[(4)]	–	40.84%
Mr. Lai Shixian	Company	Interest of spouse	167,700,000[(5)]	–	6.72%
	Company	Beneficial owner	–	5,250,000	0.21%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141[(6)]	–	11.41%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601[(7)]	–	6.01%
Mr. Zheng Jie	Company	Beneficial owner	300,000	–	0.01%
	Company	Beneficial owner	–	1,000,000	0.04%

Notes:

(1) As at 31 December 2011, the outstanding ordinary shares of the Company and of Anta International stood at 2,494,163,000 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 and the Share Option Scheme, details of which are set out in note 22(a) and 22(b) respectively to the consolidated financial statements.

(3) 1,431,900,000 Shares were held through Anta International, an associated corporation, representing 57.41% of the issued share capital of the Company as at 31 December 2011. 6,446,000 Shares were held through Shine Well (Far East) Limited ("Shine Well") directly. Shine Well 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 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 and Shine Well and 4,144 shares of Anta International held by Shine Well.

(4) 1,431,900,000 Shares were held through Anta International, representing held 57.41% of the issued share capital of the Company as at 31 December 2011. 1,000,000 Shares were held through Talent Trend Investment Limited ("Talent Trend") directly. Talent Trend 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 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 and Talent Trend and 4,084 shares of Anta International held by Talent Trend.

(5) The interests of Mr. Lai Shixian in the Company are held through Anda Holdings, which holds 6.72% 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.

(6) The interests of Mr. Wang Wenmo in Anta International are held through Fair Billion Development Limited, which holds 11.41% of the issued share capital of Anta International. The entire issued share capital of Fair Billion Development Limited is held by Asia Bridges Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust is an irrevocable discretionary trust set up by Mr. Wang Wenmo as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WWM Family Trust are family members of Mr. Wang Wenmo. Mr. Wang Wenmo as founder of the WWM Family Trust is deemed to be interested in the 1,041 shares of Anta International held by Fair Billion Development Limited.

(7) The interests of Mr. Wu Yonghua in Anta International are held through Spread Wah International Limited, which holds 6.01% of the issued share capital of Anta International. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.

Save as disclosed above, as at 31 December 2011, 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 31 December 2011, 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)(1)	1,727,653,000(L)	69.27%
Anta International	Beneficial owner	1,431,900,000(L)	57.41%
Allwealth Assets Limited	Interest in controlled corporation(1)	1,432,900,000(L)	57.45%
Shine Well	Interest in controlled corporation(1)	1,431,900,000(L)	57.41%
	Beneficial owner(1)	6,446,000(L)	0.26%
Talent Trend	Interest in controlled corporation(1)	1,431,900,000(L)	57.41%
	Beneficial owner(1)	1,000,000(L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation(1)	1,438,346,000(L)	57.67%
Anda Holdings	Beneficial owner	167,700,000(L)	6.72%
Ms. Ding Yali	Founder of a discretionary trust(2)	167,700,000(L)	6.72%
	Interest of spouse(3)	5,250,000(L)	0.21%
Spring Star Assets Limited	Interest in controlled corporation(2)	167,700,000(L)	6.72%

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

Notes:

(1) The interests of HSBC Trustee in the Company are held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 57.41%, 6.72%, 4.83%, 0.26% and 0.04% of the issued share capital of the Company, respectively. In addition, HSBC Trustee also held 207,000 Shares of the Company as trustee for persons unrelated to the substantial shareholders of the Company.

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 and Talent Trend, respectively. Each of Shine Well and Talent Trend 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 and Talent Trend were indirectly interested in the 1,431,900,000 Shares held by Anta International. 6,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright Assets Limited were also deemed to be interested in the 6,446,000 Shares held by Shine Well. 1,000,000 Shares were held by Talent Trend directly. Accordingly, HSBC Trustee and Allwealth Assets Limited were also deemed to be interested in the 1,000,000 Shares held by Talent Trend.

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. Accordingly, HSBC Trustee and Spring Star Assets Limited were deemed to be 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. Accordingly, HSBC Trustee and Sackful Gold Limited were deemed to be 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 22(a) of the consolidated financial statements.

Save as disclosed above, as at 31 December 2011, 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.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 29 to the consolidated financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) ("connected persons") and the Company have been entered into and are ongoing for which relevant disclosure had been made by the Company in the announcements of the Company issued on 31 December 2009, 25 February 2010, 30 September 2010 and 25 May 2011.

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

On 31 December 2009, ANTA China and Quanzhou Anda entered into an agreement to renew the existing packaging material supply arrangement ("Packaging Material Supply Agreement") for a term of three years from 1 January 2010 to 31 December 2012 in relation to the supply of cardboard cases from Quanzhou Anda to the Group from time to time on normal commercial terms no less favourable than those available from independent third parties of the Group.

Under the Packaging Material Supply Agreement, the prices for the cardboard cases will be agreed between Quanzhou Anda and the Group from time to time after arm's length negotiation and should be comparable to market prices of similar cardboard cases. The prices the Group pay for the cardboard cases and the other payment terms (i.e. a general credit period of 30 to 60 days) shall be comparable to, and not less favourable than those offered by other independent suppliers of similar cardboard cases.

During the financial year, Quanzhou Anda also supplied shoe boxes in addition to cardboard cases to the Group on the same terms under the Packaging Material Supply Agreement for supply of cardboard cases. The prices the Group pay for the shoe boxes and the other payment terms (i.e. a general credit period of 30 to 60 days) shall be comparable to, and not less favourable than those offered by other independent suppliers of similar shoe boxes.

Quanzhou Anda is an associate of Mr. Ding Shizhong and Mr. Lai Shixian (both of them are Executive Directors of the Company) by virtue of Rule 14A.11 of the Listing Rules and is therefore a connected person of the Company.

During the financial year, the Group's purchase of cardboard cases and shoe boxes from Quanzhou Anda amounted to RMB20,570,000.

2. Sportswear Sales Agreements of ANTA Products with Guangzhou Anda and Quanzhou Binhui Trading Co., Ltd. ("Quanzhou Binhui")

On 31 December 2009, ANTA China entered into two agreements to renew sportswear sales arrangement with Guangzhou Anda and Quanzhou Binhui ("Sportswear Sales Agreements") for a term of three years from 1 January 2010 to 31 December 2012 in relation to the sale of ANTA Products to Guangzhou Anda and Quanzhou Binhui.

Under the Sportwear Sales Agreements, the prices at which the Group sells its products to Guangzhou Anda and Quanzhou Binhui and the other payment terms (i.e. a general credit period between 30 to 90 days from the date of the Group's invoice) will be based on terms that are comparable to, and not more favourable than those available to its independent distributors and after arm's length negotiation and on normal commercial terms.

Guangzhou Anda is controlled by an associate of Mr. Ding Shizhong and is therefore a connected person of the Company by virtue of Rule 14A.11(4)(c) of the Listing Rules. During the financial year, the shareholding structure of Quanzhou Binhui was changed and as a result, Quanzhou Binhui was no longer a connected person of the Company as defined in Rule 14A.11 of the Listing Rules.

During the financial year, the Group's sales of ANTA products to Guangzhou Anda and Quanzhou Binhui amounted to RMB378,634,000 and RMB78,025,000 respectively.

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

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

(2) on normal commercial terms; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

Directors' Interests in Contracts

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

Competing Business

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

Each of the Controlling Shareholders (as defined in the prospectus of the Company issued on 26 June 2007 (the "Prospectus")) has confirmed to the Company of his/her compliance with the non-compete undertakings provided to the Company under the Non-competition Deed (as defined in the Prospectus). The Independent Non-Executive Directors have reviewed the status of compliance and also confirmed that all the undertakings under the Non-competition Deed have been complied with by the Controlling Shareholders.

Retirement Schemes

The Group participates in several defined contribution retirement plans which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 21 to the consolidated financial statements.

Equity-settled Share-based Payments

(a) Pre-IPO Share Option Scheme

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

Under the Pre-IPO Option, 16,000,000 options were fully granted on 12 June 2007, and no option has been lapsed during the financial year (2010: Nil). As at 31 December 2011, the total number of shares which may be issued upon the exercise of all outstanding options granted under the Pre-IPO Option is 10,362,000.

Each option granted under the Pre-IPO Option has a vesting period of 3 years commencing from the listing date and the options are exercisable for a period of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash. No further options were granted under the Pre-IPO Option on or after the date of listing of the Company on the Hong Kong Stock Exchange.

(b) Share Option Scheme

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

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12 month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

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

On 15 September 2010 ("Date of Grant"), the Company granted 32,120,000 options at an exercise price of HK$16.20 per share to Mr. Zheng Jie, a Director, and certain employees under the Share Option Scheme. They were given the rights to subscribe for shares of the Company which are exercisable up to 10 years from the Date of Grant. Up to 40%, 30% and 30% of the options granted shall be exercisable on 15 March 2012, 15 March 2013 and 15 March 2014 respectively, such that all options granted shall be fully exercisable on 15 March 2014. During the financial year, 7,510,000 options has been forfeited.

Corporate Governance

In respect of the year ended 31 December 2011, save as disclosed in the Corporate Governance Report on pages 73 to 76 of the annual report, all the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 14 to the Listing Rules were met by the Company.

Confirmation of Independence

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

Sufficiency of Public Float

Based on the information that is publicly available and within the knowledge of the Directors at the latest practicable date prior to this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2011 and at any time up to the latest practicable date.

Auditors

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

By order of the Board

Ling Shing Ping
Company Secretary

Hong Kong, 20 February 2012

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 year ended 31 December 2011, save as disclosed below, all the code provisions set out in the Code were met by the Company.

(A) The Board of Directors

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

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. Currently, the Board comprises 9 Directors, including 6 Executive Directors and 3 Independent Non-Executive Directors. Their names, biographical details and relationships (some of the Directors are related to each other) are set out in the section entitled "Directors and Senior Management" in the annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the Executive Directors, senior management and certain specific responsibilities to the Board committees.

Compliance with the Model Code for Directors' Securities Transactions

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 financial year.

Chairman and Chief Executive Officer

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the financial year, the roles of the Chairman and the Chief Executive Officer of the Company are performed by Mr. Ding Shizhong. With Mr. Ding's extensive experience in sportswear consumer markets, he is responsible for the overall strategic planning and business development of the Group. The Board considers that vesting the roles of Chairman and Chief Executive Officer simultaneously by Mr. Ding is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 6 Executive Directors and 3 Independent Non-Executive Directors and therefore has a strong independence element in its composition.

Appointments, Re-election and Removal of Directors

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

Independent Non-Executive Directors

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

All of the Independent Non-Executive Directors are appointed for a term of 3 years and are subject to retirement by rotation and re-election in accordance with the articles of association of the Company.

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

Training and Support for Directors

All Directors must keep abreast of their collective responsibilities. Newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Board Committees

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

Audit Committee

The Audit Committee is responsible for the review and supervision of the Group's financial reporting process, internal controls and review of the 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 Audit Committee met 4 times during the financial year. During the meetings, the Audit Committee has considered the annual results of the Group for the year ended 31 December 2010 and the interim results of the Group for the 6 months ended 30 June 2011 as well as the reports prepared by the external auditors relating to accounting and internal control issues and major findings in the course of audit/review. Also, it has reviewed the 2011 annual audit plan. All members of the Audit Committee attended the meetings.

Remuneration Committee

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

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

Nomination Committee

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

During the financial year, no meeting was held by the Nomination Committee. The Committee considers that the size and composition of the Board is sufficient to meet the Company's business needs in respect of the financial year.

Meetings

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

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
No. of meetings held for the year ended 31 December 2011	6	4	1	–
Executive Directors				
Mr. Ding Shizhong	6	N/A	1	N/A
Mr. Ding Shijia	6	N/A	N/A	N/A
Mr. Lai Shixian	6	N/A	N/A	–
Mr. Wang Wenmo	6	N/A	N/A	N/A
Mr. Wu Yonghua	5*	N/A	N/A	N/A
Mr. Zheng Jie	6	N/A	N/A	N/A
Independent Non-Executive Directors				
Mr. Yeung Chi Tat	6	4	N/A	–
Mr. Lu Hong Te	6	4	1	–
Mr. Dai Zhongchuan	6	4	1	N/A

* *This Executive Director has not attended Board meetings to approve renewal of waivers on continuing connected transactions to avoid conflict of interests.*

All Directors are provided with relevant materials relating to the matters brought before the meetings at least three days in advance. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors and Board procedures complied with the articles of association of the Company, as well as relevant rules and regulations.

Conflict of Interest

If a Director has a conflict of interest in relation to a transaction or proposal to be considered by the Board, the individual is required to declare such interest and to abstain from voting. The matter is considered at a Board meeting attended by Directors who have no material interest in the transaction.

(B) Financial Reporting and Internal Control

Financial Reporting

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

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

External Auditor's Remuneration

KPMG has been appointed as the Company's external auditor since 2004. The Audit Committee has been notified of the nature and the service charges of non-audit services to be performed by KPMG and considered that these non-audit services have no adverse effect on the independence of the auditor. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors.

During the financial year, the fee payable to KPMG in respect of its statutory audit services provided to the Company was RMB3,430,000 (2010: RMB2,863,000). Fees for non-audit services for the same period comprise service charges for the following:

	2011	2010
Review of interim results	**RMB750,000**	RMB737,000
Tax review	**RMB100,000**	RMB100,000
Internal control review (service rendered by KPMG Advisory (China) Limited)	**RMB650,000**	RMB800,000
Other non-audit service	**RMB20,000**	–

Internal Control

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

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

(C) Communications with Shareholders and Investor Relations

The management believes that effective communication with the investment community in a timely manner through various media is essential. We held regular briefings, attended investor conferences and participated in roadshows to meet institutional investors and financial analysts in the PRC, Hong Kong and overseas countries to keep them abreast of the Company's business and development.

AGM proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of the AGM exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the beginning of the meeting. Voting results are posted on the Group's website on the day of the AGM.

Details of these communications are stated in the section entitled "ANTA and Investors" on page 63 in the annual report.

By order of the Board

Ling Shing Ping
Company Secretary

Hong Kong, 20 February 2012

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ding Shizhong (丁世忠), aged 41, is the Chief Executive Officer, the Executive Director and the Board Chairman of the Company. He is primarily responsible for the overall corporate strategies, brand management, planning and business development of our Group. He joined our Group in July 1994 and has dedicated to expand and promote our Group's business and to develop China's sporting goods industry.

He personally obtained the following recognition:

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

He is holding the following public offices:

Year	Public Offices
2008	National People's Congress deputy
2009	The 8th Organising Committee member of All-China Sports Federation
2010	Deputy Chairman of China Sporting Goods Federation
2010	Committee member of China Youth Entrepreneurs Association

Mr. Ding is the younger brother of Mr. Ding Shijia, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a director of Anta International, which holds 57.41% of the issued share capital of the Company. Mr. Ding is a director of Fujian Straits West-Coast Investment Co., Ltd, a subsidiary of China SCE Property Holdings Limited (stock code: 1966), which is listed on the Hong Kong Stock Exchange.

Mr. Ding Shijia (丁世家), aged 47, is the Executive Director and the Board Deputy Chairman of the Company. He is primarily responsible for the management of our Group's footwear operations. He joined our Group in July 1994 and has over 10 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. Since 2011, Mr. Ding has been Jinjiang City People's Congress deputy. Mr. Ding is the elder brother of Mr. Ding Shizhong, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a director of Anta International, which holds 57.41% of the issued share capital of the Company.

Mr. Lai Shixian (賴世賢), aged 37, is the Chief Operating Officer, the Executive Director and the Vice President of the Company. He is primarily responsible for the supply chain and administrative management of the Group. He joined the Group in March 2003 and has over 10 years of experience in administrative management. Mr. Lai holds an EMBA degree from China Europe International Business School. Mr. Lai is the brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors. He is also a director of Anta International, which holds 57.41% of the issued share capital of the Company.

Mr. Wang Wenmo (王文默), aged 55, is the Executive Director of the Company. He is primarily responsible for the management of the Group's apparel operations. He joined the Group in June 2000 and has over 20 years of experience in the apparel industry. Mr. Wang is the cousin of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Group's Executive Directors.

Mr. Wu Yonghua (吳永華), aged 40, is the Executive Director and the Executive Vice President of the Company. He is primarily responsible for the Group's sales and marketing management. He joined the Group in October 2003 and has over 10 years of experience in sales and marketing in China. Since 2011, Mr. Wu has been Xiamen City People's Congress deputy.

Mr. Zheng Jie (鄭捷), aged 43, is the Executive Director and the Brand President of ANTA. He is primarily responsible for brand and product management. He joined the Group in October 2008 and has over 10 years of experience in the field of marketing management, including nearly 8 years in the China division of an international sportswear brand as the head of sales and the general manager. Mr. Zheng holds a bachelor's degree in management science from Shanghai Fudan University.

Independent Non-Executive Directors

Mr. Yeung Chi Tat（楊志達）, aged 42, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in business administration from the University of Hong Kong and a master's degree in professional accounting from Hong Kong Polytechnic University. He is the fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He is also the president of the International Financial Management Association Hong Kong headquarters and the vice-president of the Hong Kong Wine Merchants' Chamber of Commerce. He had previously worked at a major international accounting firm for over 10 years and possessed experience in auditing, corporate restructure and corporate finance. He is the financial controller and company secretary of Dynasty Fine Wines Group Limited (stock code: 828), and an independent non-executive director of Ta Yang Group Holdings Limited (stock code: 1991), Boer Power Holdings Limited (stock code: 1685), Billion Industrial Holdings Limited (stock code: 2299) and Sitoy Group Holdings Limited (stock code: 1023), all of which are listed on the Hong Kong Stock Exchange. Mr. Yeung was an independent non-executive director of China Eco-Farming Holdings Limited (stock code: 8166), which is listed on the Hong Kong Stock Exchange, from September 2008 to May 2010.

Mr. Lu Hong Te（呂鴻德）, aged 51, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in industrial management science from National Cheng Kung University, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University. He is now a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in sales management and business competitive strategies. He also serves as a visiting professor at institutions including SGP International Management Academy, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. He is an independent non-executive director of 5 companies, namely Everlight Chemical Industrial Corporation (stock code: 1711) and Aiptek International Inc. (stock code: 6225) which are listed on the Taiwan Stock Exchange as well as Capxon International Electronic Company Limited (stock code: 469), China Lilang Limited (stock code: 1234) and China SCE Property Holdings Limited (stock code: 1966), which are listed on the Hong Kong Stock Exchange. He is also an independent director of 2 other companies, namely Firich Enterprises Co., Ltd (stock code: 8076) and Lanner Electronics Inc. (stock code: 6245), the shares of which are traded in the Gre Tai Securities Market in Taiwan. Mr. Lu was an independent non-executive director of China Green (Holdings) Limited (stock code: 0904), which is listed on the Hong Kong Stock Exchange, from November 2008 to March 2009.

Mr. Dai Zhongchuan（戴仲川）, aged 46, is the Independent Non-Executive Director of the Company and joined the Board in April 2009. He holds a bachelor's degree and a master's degree in economics from the Xiamen University. He is currently a deputy of the 11th National People's Congress, an associate dean of the College of Law and a tutor of the master's postgraduate programme in international laws of Huaqiao University. Mr. Dai has over 20 years of working experience in legal research and holds various posts in public services in legal and judiciary area, including a member of the Central Legal Committee of the China National Democratic Construction Association, a standing committee member of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference, a member of the Internal and Judicial Affairs Committee of Quanzhou Municipal People's Congress as well as an arbitrator of Quanzhou Municipal Arbitration Commission. He is an independent director of Tianguang Fire-fighting Incorporated Company (stock code: 2509), which is listed on the Shenzhen Stock Exchange.

Senior Management

Mr. Ling Shing Ping（凌昇平）, aged 44, is the Chief Financial Officer, the Company Secretary and the Vice President of the Company. He is responsible for our overall financial and accounting affairs, treasury and company secretarial matters of the Group. He joined the Group in January 2007. He had previously worked at a major international accounting firm for over 10 years and possessed experience in auditing, accounting and corporate finance. Mr. Ling holds a bachelor's degree in business administration from the University of Hong Kong. He is the fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors, as named above. Only those 6 Executive Directors and the Chief Financial Officer/Company Secretary are regarded as members of the Group's senior management.

INDEPENDENT AUDITOR'S REPORT

KPMG

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

We have audited the consolidated financial statements of ANTA Sports Products Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 80 to 119, which comprise the consolidated and company statements of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG

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

20 February 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011 (Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Turnover	1	**8,904,767**	7,408,309
Cost of sales		**(5,142,370)**	(4,237,755)
Gross profit		**3,762,397**	3,170,554
Other revenue	2	**75,639**	44,626
Other net loss	2	**(1,211)**	(903)
Selling and distribution expenses		**(1,452,088)**	(1,186,840)
Administrative expenses		**(373,241)**	(290,626)
Profit from operations		**2,011,496**	1,736,811
Net finance income	3	**148,584**	106,258
Profit before taxation	4	**2,160,080**	1,843,069
Taxation	5	**(435,999)**	(296,644)
PROFIT FOR THE YEAR		**1,724,081**	1,546,425
Other comprehensive income for the year			
Exchange differences on translation of financial statements of operations outside Mainland China		**(22,970)**	(35,902)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,701,111**	1,510,523
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Equity shareholders of the Company		**1,730,122**	1,551,113
Non-controlling interests		**(6,041)**	(4,688)
PROFIT FOR THE YEAR		**1,724,081**	1,546,425
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of the Company		**1,707,152**	1,515,211
Non-controlling interests		**(6,041)**	(4,688)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,701,111**	1,510,523
		RMB cents	RMB cents
Earnings per share	8		
– Basic		**69.37**	62.21
– Diluted		**69.20**	62.04

The notes, significant accounting policies and principal subsidiaries on pages 85 to 119 form part of these financial statements.

Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 26.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011 (Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	10	**472,606**	503,474
Construction in progress	11	**207,603**	149,628
Lease prepayments	12(a)	**35,036**	35,835
Prepayments for acquisition of land use rights	12(b)	**96,715**	42,807
Intangible assets	13	**540,614**	531,349
Other financial assets	15	**20,535**	–
Deferred tax assets	23(b)	**51,501**	46,343
Total non-current assets		**1,424,610**	1,309,436
Current assets			
Inventories	16	**618,130**	453,823
Trade and other receivables	17	**1,708,610**	990,441
Pledged deposits	18	**14,734**	9,640
Fixed deposits held at banks with maturity over three months	19	**1,410,000**	900,000
Cash and cash equivalents	19	**3,018,233**	3,391,151
Total current assets		**6,769,707**	5,745,055
Total assets		**8,194,317**	7,054,491
Current liabilities			
Trade and other payables	20	**1,471,495**	1,070,646
Amount due to a related party	29(b)	**1,900**	2,745
Current taxation	23(a)	**130,979**	90,002
Total current liabilities		**1,604,374**	1,163,393
Net current assets		**5,165,333**	4,581,662
Total assets less current liabilities		**6,589,943**	5,891,098
Non-current liabilities			
Long-term payable to non-controlling interests			
– unsecured and at amortised cost		**39,109**	41,582
Deferred tax liabilities	23(b)	**132,284**	118,784
Total non-current liabilities		**171,393**	160,366
Total liabilities		**1,775,767**	1,323,759
Net assets		**6,418,550**	5,730,732
Equity			
Share capital	24	**242,019**	241,991
Reserves	25	**6,129,871**	5,436,040
Total equity attributable to equity shareholders of the Company		**6,371,890**	5,678,031
Non-controlling interests		**46,660**	52,701
Total liabilities and equity		**8,194,317**	7,054,491

The notes, significant accounting policies and principal subsidiaries on pages 85 to 119 form part of these financial statements.

Ding Shizhong
Chairman and Chief Executive Officer

Lai Shixian
Chief Operating Officer

Ling Shing Ping
Chief Financial Officer

Hong Kong, 20 February 2012

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011 (Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Investments in subsidiaries	14	**126**	133
Total non-current assets		**126**	133
Current assets			
Other receivables	17	**769**	267
Amounts due from subsidiaries	14	**736,594**	946,203
Cash and cash equivalents	19	**134,110**	200,437
Total current assets		**871,473**	1,146,907
Total assets		**871,599**	1,147,040
Current liabilities			
Other payables and accruals	20	**1,632**	1,951
Total current liabilities		**1,632**	1,951
Net current assets		**869,841**	1,144,956
Total assets less current liabilities		**869,967**	1,145,089
Equity			
Share capital	24	**242,019**	241,991
Reserves	25	**627,948**	903,098
Total equity		**869,967**	1,145,089
Total liabilities and equity		**871,599**	1,147,040

The notes, significant accounting policies and principal subsidiaries on pages 85 to 119 form part of these financial statements.

Ding Shizhong
Chairman and Chief Executive Officer

Lai Shixian
Chief Operating Officer

Ling Shing Ping
Chief Financial Officer

Hong Kong, 20 February 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011 (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company				
		Share capital RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balances as at 1 January 2010		241,838	4,838,101	5,079,939	57,389	5,137,328
Changes in equity for 2010:						
Profit for the year		–	1,551,113	1,551,113	(4,688)	1,546,425
Other comprehensive income		–	(35,902)	(35,902)	–	(35,902)
Total comprehensive income		–	1,515,211	1,515,211	(4,688)	1,510,523
Dividends approved in respect of the previous year	26(b)	–	(504,290)	(504,290)	–	(504,290)
Dividends declared in respect of the current year	26(a)	–	(435,813)	(435,813)	–	(435,813)
Shares issued pursuant to Pre-IPO Share Option Scheme	24	153	6,309	6,462	–	6,462
Equity-settled share-based payments	25(e)	–	16,522	16,522	–	16,522
Balances as at 31 December 2010 and 1 January 2011		**241,991**	**5,436,040**	**5,678,031**	**52,701**	**5,730,732**
Changes in equity for 2011:						
Profit for the year		**–**	**1,730,122**	**1,730,122**	**(6,041)**	**1,724,081**
Other comprehensive income		**–**	**(22,970)**	**(22,970)**	**–**	**(22,970)**
Total comprehensive income		**–**	**1,707,152**	**1,707,152**	**(6,041)**	**1,701,111**
Dividends approved in respect of the previous year	26(b)	**–**	**(523,651)**	**(523,651)**	**–**	**(523,651)**
Dividends declared in respect of the current year	26(a)	**–**	**(531,210)**	**(531,210)**	**–**	**(531,210)**
Shares issued pursuant to Pre-IPO Share Option Scheme	24	**28**	**1,128**	**1,156**	**–**	**1,156**
Equity-settled share-based payments	25(e)	**–**	**40,412**	**40,412**	**–**	**40,412**
Balances as at 31 December 2011		**242,019**	**6,129,871**	**6,371,890**	**46,660**	**6,418,550**

The notes, significant accounting policies and principal subsidiaries on pages 85 to 119 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011 (Expressed in Renminbi)

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Profit before taxation		**2,160,080**	1,843,069
Adjustments for:			
– Depreciation	10	**69,476**	66,797
– Amortisation of lease prepayments	12(a)	**799**	638
– Amortisation of intangible assets	13	**19,472**	16,766
– Interest expense	3	**3,285**	3,487
– Interest income	3	**(138,139)**	(79,729)
– Loss on disposal of property, plant and equipment	2	**825**	703
– Equity-settled share-based payments	4(a)	**40,412**	16,522
Changes in working capital			
– Increase in inventories		**(164,307)**	(79,733)
– Increase in trade and other receivables		**(685,767)**	(467,814)
– Increase in pledged deposits		**(5,094)**	–
– Increase in trade and other payables		**402,196**	250,474
– (Decrease)/increase in amount due to a related party		**(845)**	1,932
Cash generated from operations		**1,702,393**	1,573,112
Income tax paid		**(386,680)**	(224,124)
Interest received		**131,837**	83,860
Net cash generated from operating activities		**1,447,550**	1,432,848
Investing activities			
Payments for purchase of property, plant and equipment		**(37,054)**	(50,818)
Proceeds from sale of property, plant and equipment		**1,687**	774
Payments for construction in progress		**(89,602)**	(38,045)
Payments for acquisition of land use rights	12(b)	**(53,908)**	(14,609)
Payments for purchase of intangible assets	13	**(28,737)**	(61,132)
Payments for purchase of available-for-sale equity investments		**(20,535)**	–
Placements of fixed deposits held at banks with maturity over three months		**(6,125,094)**	(6,599,140)
Uplift of fixed deposits held at banks with maturity over three months		**5,615,094**	7,259,140
Net cash (used in)/received from investing activities		**(738,149)**	496,170
Financing activities			
Payment for long-term payable to non-controlling interests		**(5,439)**	(5,413)
Proceeds from shares issued pursuant to Pre-IPO Share Option Scheme		**951**	6,462
Dividends paid to equity shareholders of the Company	26	**(1,054,861)**	(940,103)
Net cash used in financing activities		**(1,059,349)**	(939,054)
Net (decrease)/increase in cash and cash equivalents		**(349,948)**	989,964
Cash and cash equivalents as at 1 January		**3,391,151**	2,437,089
Effect of foreign exchange rate changes		**(22,970)**	(35,902)
Cash and cash equivalents as at 31 December	19	**3,018,233**	3,391,151

The notes, significant accounting policies and principal subsidiaries on pages 85 to 119 form part of these financial statements.

1. 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:

	2011 RMB'000	2010 RMB'000
Anta products	**7,885,681**	6,766,938
Others*	**1,019,086**	641,371
Total turnover	**8,904,767**	7,408,309

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

The Group is engaged in the manufacturing, trading and distribution of ANTA branded sporting goods and the trading and distribution of Fila branded sporting goods ("the Fila Business in the PRC"). For the year ended 31 December 2011, the turnover, the absolute amount of the financial results and the assets of the Fila Business in the PRC are all less than 10% of the respective combined amounts of both businesses. In addition, the Directors consider that the presentation of segment information of the Fila Business in the PRC would not be meaningful in the annual financial statements. Therefore, the Directors consider that the Group has one single reportable segment only and, accordingly, no segmental information is presented.

For the year ended 31 December 2011, there was no customer with whom transactions have exceeded 10% of the Group's turnover (2010: Nil).

2. Other Revenue and Other Net Loss

	2011 RMB'000	2010 RMB'000
Other revenue		
Government grants	**69,963**	33,289
Rental income from operating leases	**416**	29
Others	**5,260**	11,308
	75,639	44,626
Other net loss		
Loss on disposal of property, plant and equipment	**(825)**	(703)
Others	**(386)**	(200)
	(1,211)	(903)

3. Net Finance Income

	2011 RMB'000	2010 RMB'000
Interest income	**138,139**	79,729
Net foreign exchange gain	**13,730**	30,016
	151,869	109,745
Interest expense recognised on payable carried at amortised cost	**(3,285)**	(3,487)
Net finance income	**148,584**	106,258

4. Profit Before Taxation

Profit before taxation is arrived at after charging:

		2011 RMB'000	2010 RMB'000
(a)	Staff costs[(i) & (ii)]:		
	Contributions to defined contribution retirement plans	**58,196**	75,728
	Equity-settled share-based payments	**40,412**	16,522
	Salaries, wages and other benefits	**657,427**	565,110
		756,035	657,360
(b)	Other items:		
	Cost of inventories sold[(i)]	**5,142,370**	4,237,755
	Depreciation[(i)]	**69,476**	66,797
	Amortisation		
	– lease prepayments	**799**	638
	– intangible assets	**19,472**	16,766
	Subcontracting charges[(i)]	**123,048**	307,850
	Auditors' remuneration	**4,180**	3,600
	Operating lease charges in respect of properties		
	– minimum lease payments	**53,476**	43,829
	Research and development costs[(i) & (ii)]	**190,792**	135,046

(i) Cost of inventories sold includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB734,935,000 (2010: RMB914,203,000).

(ii) Research and development costs includes staff costs of employees in the research and development department, which are included in the staff costs as disclosed above.

5. Taxation in the Consolidated Statement of Comprehensive Income

(a) Taxation in the Consolidated Statement of Comprehensive Income represents:

	2011 RMB'000	2010 RMB'000
Current tax		
PRC Corporate Income Tax	**372,990**	262,065
Withholding tax on dividends (iv)	**54,667**	–
Deferred tax (note 23(b))		
Distribution of dividends	**(54,667)**	–
Origination and reversal of other temporary differences	**63,009**	34,579
	435,999	296,644

(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 year ended 31 December 2011 and 2010.

(iii) In accordance with the relevant PRC corporate income tax laws, regulations and implementation guidance note, certain subsidiaries in Mainland China are entitled to tax concessions and tax relief whereby the profits of these subsidiaries are taxed at preferential income tax rates. Taxation of the Group's subsidiaries in Mainland China are calculated using the applicable preferential income tax rates granted to these subsidiaries.

According to the Corporate Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

(iv) Withholding tax on dividends represents tax charged by the PRC tax authority on dividends distributed by the Group's subsidiaries in Mainland China during the year.

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**2,160,080**	1,843,069
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**540,274**	468,900
Tax effect of non-deductible expenses	**33,042**	13,182
Tax effect of non-taxable income	**(9,924)**	(5,533)
Tax effect of unused tax losses not recognised	**5,202**	3,265
Withholding tax on profits retained by PRC subsidiaries	**68,167**	69,172
Tax effect of tax concessions	**(200,762)**	(252,342)
Actual tax expense	**435,999**	296,644

6. Directors' Remuneration

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

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Equity-settled share-based payments RMB'000 (Note 22)	Discretionary bonuses RMB'000	Total RMB'000
Year ended 31 December 2011						
Executive Directors						
Mr. Ding Shizhong	**–**	**1,080**	**23**	**–**	**654**	**1,757**
Mr. Ding Shijia	**–**	**1,000**	**23**	**–**	**–**	**1,023**
Mr. Lai Shixian	**–**	**1,500**	**23**	**–**	**–**	**1,523**
Mr. Wang Wenmo	**–**	**1,000**	**23**	**–**	**–**	**1,023**
Mr. Wu Yonghua	**–**	**2,000**	**23**	**–**	**–**	**2,023**
Mr. Zheng Jie	**–**	**2,600**	**62**	**1,757**	**78**	**4,497**
	–	**9,180**	**177**	**1,757**	**732**	**11,846**
Independent Non-Executive Directors						
Mr. Yeung Chi Tat	**199**	**–**	**–**	**–**	**–**	**199**
Mr. Lu Hong Te	**132**	**–**	**–**	**–**	**–**	**132**
Mr. Dai Zhongchuan	**96**	**–**	**–**	**–**	**–**	**96**
Total	**427**	**9,180**	**177**	**1,757**	**732**	**12,273**
Year ended 31 December 2010						
Executive Directors						
Mr. Ding Shizhong	–	1,080	14	–	532	1,626
Mr. Ding Shijia	–	500	8	–	148	656
Mr. Lai Shixian	–	500	6	80	143	729
Mr. Wang Wenmo	–	500	14	–	148	662
Mr. Wu Yonghua	–	500	6	–	148	654
Mr. Zheng Jie	–	2,600	53	539	–	3,192
	–	5,680	101	619	1,119	7,519
Independent Non-Executive Directors						
Mr. Yeung Chi Tat	209	–	–	–	–	209
Mr. Lu Hong Te	139	–	–	–	–	139
Mr. Dai Zhongchuan	96	–	–	–	–	96
Total	444	5,680	101	619	1,119	7,963

During the year, no amount was paid or payable by the Company to the Directors or any of the 5 highest paid individuals set out in note 7 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year.

7. Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments, 1 (2010: 1) is also a Director of the Company whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining 4 (2010: 4) individuals are as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**5,798**	4,756
Discretionary bonuses	**2,746**	2,619
Equity-settled share-based payments	**2,847**	754
Contributions to retirement benefit scheme	**145**	137
	11,536	8,266

The emoluments of the 4 (2010: 4) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2011	2010
RMB1,500,001 to RMB2,000,000	**–**	3
RMB2,000,001 to RMB2,500,000	**1**	–
RMB2,500,001 to RMB3,000,000	**2**	–
RMB3,000,001 to RMB3,500,000	**–**	1
RMB3,500,001 to RMB4,000,000	**1**	–

8. Earnings Per Share

(a) Basic Earnings Per Share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB1,730,122,000 (2010: RMB1,551,113,000) and the weighted average number of ordinary shares in issue during the year of 2,493,974,000 (2010: 2,493,215,000).

Weighted average number of ordinary shares

	2011 '000 Shares	2010 '000 Shares
Issued ordinary shares	**2,493,833**	2,492,088
Effect of share options exercised	**141**	1,127
Weighted average number of ordinary shares	**2,493,974**	2,493,215

(b) Diluted Earnings Per Share

The calculation of diluted earnings per share is based on the weighted average number of shares in issue adjusted for the potential dilutive effect caused by the share options granted under the share option schemes (see note 22) assuming they were exercised.

Weighted average number of ordinary shares (diluted)

	2011 '000 Shares	2010 '000 Shares
Weighted average number of ordinary shares	**2,493,794**	2,493,215
Effect of deemed issue of shares under the Company's share option schemes	**6,454**	7,076
Weighted average number of ordinary shares (diluted)	**2,500,248**	2,500,291

9. Profit Attributable to Equity Shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB768,541,000 (2010: RMB12,893,000) which has been dealt with in the financial statements of the Company.

10. Property, Plant and Equipment

	The Group					
	Buildings RMB'000	**Plant and machinery RMB'000**	**Motor vehicles RMB'000**	**Furniture and fixtures RMB'000**	**Retail outlets leasehold improvements RMB'000**	**Total RMB'000**
Cost:						
As at 1 January 2010	342,612	162,751	21,364	114,065	3,502	644,294
Additions	–	9,076	6,149	35,358	1,333	51,916
Transfer from construction in progress (note 11)	4,867	–	–	8,545	–	13,412
Disposals	–	(1,279)	(1,361)	(1,510)	–	(4,150)
As at 31 December 2010 and 1 January 2011	**347,479**	**170,548**	**26,152**	**156,458**	**4,835**	**705,472**
Additions	**–**	**15,618**	**–**	**18,738**	**197**	**34,553**
Transfer from construction in progress (note 11)	**–**	**–**	**–**	**6,567**	**–**	**6,567**
Disposals	**–**	**(3,284)**	**(228)**	**(1,289)**	**–**	**(4,801)**
As at 31 December 2011	**347,479**	**182,882**	**25,924**	**180,474**	**5,032**	**741,791**
Accumulated depreciation:						
As at 1 January 2010	38,850	42,136	11,028	45,339	521	137,874
Charge for the year	15,731	14,915	3,435	29,871	2,845	66,797
Written back on disposals	–	(332)	(1,200)	(1,141)	–	(2,673)
As at 31 December 2010 and 1 January 2011	**54,581**	**56,719**	**13,263**	**74,069**	**3,366**	**201,998**
Charge for the year	**15,854**	**15,658**	**3,691**	**32,755**	**1,518**	**69,476**
Written back on disposals	**–**	**(1,107)**	**(187)**	**(995)**	**–**	**(2,289)**
As at 31 December 2011	**70,435**	**71,270**	**16,767**	**105,829**	**4,884**	**269,185**
Net book value:						
As at 31 December 2011	**277,044**	**111,612**	**9,157**	**74,645**	**148**	**472,606**
As at 31 December 2010	292,898	113,829	12,889	82,389	1,469	503,474

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

11. Construction in Progress

	The Group 2011 RMB'000	2010 RMB'000
As at 1 January	**149,628**	123,827
Additions	**64,542**	39,213
Transfer to property, plant and equipment (note 10)	**(6,567)**	(13,412)
As at 31 December	**207,603**	149,628

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

12. Lease Prepayments/Prepayments for Acquisition of Land Use Rights

(a) Lease Prepayments

	The Group 2011 RMB'000	2010 RMB'000
Cost:		
As at 1 January	**39,949**	31,500
Transfer from prepayments for acquisition of land use rights (note 12(b))	**–**	8,449
As at 31 December	**39,949**	39,949
Accumulated amortisation:		
As at 1 January	**4,114**	3,476
Charge for the year	**799**	638
As at 31 December	**4,913**	4,114
Net book value:		
As at 31 December	**35,036**	35,835

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

(b) Prepayments for Acquisition of Land Use Rights

	The Group 2011 RMB'000	2010 RMB'000
As at 1 January	**42,807**	36,647
Additions	**53,908**	14,609
Transfer to lease prepayments (note 12(a))	**–**	(8,449)
As at 31 December	**96,715**	42,807

The Group made prepayments for the acquisition of land use rights for certain properties held for own use under development in the PRC. The related ownership certificates are under application as at 31 December 2011.

13. Intangible Assets

	The Group		
	Computer software RMB'000	**Patents and trademarks RMB'000**	**Total RMB'000**
Cost:			
As at 1 January 2010	10,270	482,380	492,650
Additions	61,132	–	61,132
As at 31 December 2010 and 1 January 2011	**71,402**	**482,380**	**553,782**
Additions	**28,737**	**–**	**28,737**
As at 31 December 2011	**100,139**	**482,380**	**582,519**
Accumulated amortisation:			
As at 1 January 2010	2,407	3,260	5,667
Charge for the year	4,027	12,739	16,766
As at 31 December 2010 and 1 January 2011	**6,434**	**15,999**	**22,433**
Charge for the year	**6,733**	**12,739**	**19,472**
As at 31 December 2011	**13,167**	**28,738**	**41,905**
Net book value:			
As at 31 December 2011	**86,972**	**453,642**	**540,614**
As at 31 December 2010	64,968	466,381	531,349

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

14. Investments in Subsidiaries/Amounts due from Subsidiaries

The investments in subsidiaries represent cost of unlisted shares of the subsidiaries.

Details of principal subsidiaries as at 31 December 2011 are shown on pages 118 and 119.

The amounts due from subsidiaries are unsecured, interest free and are expected to be recovered within one year.

15. Other non-current financial assets

Other non-current financial assets represent unlisted available-for-sale equity investments.

16. Inventories

	The Group	
	2011 RMB'000	2010 RMB'000
Raw materials	**112,306**	110,784
Work in progress	**104,445**	87,174
Finished goods	**401,379**	255,865
	618,130	453,823

17. Trade and Other Receivables

	The Group 2011 RMB'000	The Group 2010 RMB'000	The Company 2011 RMB'000	The Company 2010 RMB'000
Trade receivables	**762,202**	496,726	**–**	–
Advance payments to suppliers	**729,674**	327,126	**–**	–
Deposits and other prepayments	**102,753**	85,401	**358**	265
Prepayment for construction costs	**25,258**	390	**–**	–
VAT deductible	**73,103**	73,170	**–**	–
Interest receivable	**12,510**	6,208	**–**	–
Other receivables	**3,110**	1,420	**411**	2
	1,708,610	990,441	**769**	267

All of the trade and other receivables are expected to be recovered or recognised as expense within one year. An ageing analysis of the trade receivables, none of which is considered to be individually or collectively impaired, is as follows:

	The Group 2011 RMB'000	The Group 2010 RMB'000
Current	**727,525**	486,398
Less than 3 months past due	**31,187**	10,311
Past due over 3 months	**3,490**	17
	762,202	496,726

The Group normally grants a credit period of 30 to 90 days to its customers. Receivables that were current relate to customers for whom there was no recent history of default. Receivables that were past due relate to a number of independent customers that have a good track record with the Group. Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

18. Pledged Deposits

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

19. Cash and Cash Equivalents and Fixed Deposits held at Banks

	The Group 2011 RMB'000	The Group 2010 RMB'000	The Company 2011 RMB'000	The Company 2010 RMB'000
Deposits with banks within three months to maturity when placed	**2,106,373**	3,190,021	**133,805**	165,521
Cash at bank and in hand	**911,860**	201,130	**305**	34,916
Cash and cash equivalents in the statements of financial position and consolidated statement of cash flows	**3,018,233**	3,391,151	**134,110**	200,437
Deposits with banks with more than three months to maturity when placed	**1,410,000**	900,000	**–**	–
	4,428,233	4,291,151	**134,110**	200,437

As at 31 December 2011, the balances that were placed with banks in the PRC amounted to RMB4,277,918,000 (2010: RMB4,083,099,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

20. Trade and Other Payables

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**574,639**	474,188	**–**	–
Receipts in advance from customers	**32,283**	12,592	**–**	–
Accrued construction costs	**1,595**	1,787	**–**	–
VAT and other taxes payable	**43,365**	49,245	**–**	–
Accruals	**754,878**	487,343	**–**	–
Other payables	**64,735**	45,491	**1,632**	1,951
	1,471,495	1,070,646	**1,632**	1,951

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:

	The Group	
	2011	2010
	RMB'000	RMB'000
Within 3 months	**512,234**	450,798
3 months to 6 months	**17,307**	3,060
Over 6 months	**45,098**	20,330
	574,639	474,188

21. Employee Retirement Benefits

Defined Contribution Retirement Plans

The PRC subsidiaries of the Group participate in several defined contribution retirement benefit schemes ("the Schemes") organised by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes at the rates of 14% to 22% of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

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

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

22. Equity-settled Share-based Payments

(a) Pre-IPO Share Option Scheme

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

Each option granted under the Pre-IPO Option has a vesting period of 3 years commencing from the date of listing of the Company on the Hong Kong Stock Exchange ("Listing Date") and the options are exercisable for a period of 10 years. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

22. Equity-settled Share-based Payments (Continued)

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

(i) The terms and conditions of the grants are as follows:

	Number of options ('000 shares)	Vesting conditions	Contractual life of options
Options granted to a Director:			
– on 12 June 2007	5,250	3 years from the Listing Date of the Company's shares	10 years
Options granted to employees:			
– on 12 June 2007	10,750	3 years from the Listing Date of the Company's shares	10 years
Total share options	16,000		

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

	2011		2010	
	Exercise price	**Number of options '000 shares**	Exercise price	Number of options '000 shares
Outstanding at the beginning of the year	**HK$4.224**	**10,692**	HK$4.224	12,437
Exercised during the year	**HK$4.224**	**(330)**	HK$4.224	(1,745)
Outstanding at the end of the year	**HK$4.224**	**10,362**	HK$4.224	10,692
Exercisable at the end of the year	**HK$4.224**	**10,362**	HK$4.224	10,692

The weighted average share price at the date of exercise for share options exercised during the year was HK$11.20 (2010: HK$13.76).

The share options outstanding as at 31 December 2011 had an exercise price of HK$4.224 (2010: HK$4.224) and a weighted average remaining contractual life of 6 years (2010: 7 years).

22. Equity-settled Share-based Payments (Continued)

(b) Share Option Scheme

The Company has also adopted a share option scheme ("the Share Option Scheme") pursuant to the shareholders' written resolution passed on 11 June 2007. Under the Share Option Scheme, the Directors are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at a consideration of HK$1 to subscribe share of the Company.

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

On 15 September 2010, options were granted to a Director and certain employees of the Group pursuant to the Share Option Scheme. The options have a vesting period of 3.5 years commencing from the date of grant and the options are exercisable within a period of 10 years. Each option gives the holder the right to subscribe for one ordinary share in the Company and the Group has no legal or constructive obligation to repurchase or settle the options in cash.

(i) The terms and conditions of the grants are as follows:

	Number of options ('000 shares)	Vesting conditions	Contractual life of options
Options granted to a Director:			
– on 15 September 2010	1,000	3.5 years from the date of grant	10 years
Options granted to employees:			
– on 15 September 2010	31,120	3.5 years from the date of grant	10 years
Total share options	32,120		

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

	2011		2010	
	Exercise price	**Number of options '000 shares**	Exercise price	Number of options '000 shares
Outstanding at the beginning of the year	**HK$16.20**	**32,120**	–	–
Granted during the year	**HK$16.20**	**–**	HK$16.20	32,120
Forfeited during the year	**HK$16.20**	**(7,510)**	–	–
Outstanding at the end of the year	**HK$16.20**	**24,610**	HK$16.20	32,120
Exercisable at the end of the year	**HK$16.20**	**–**	HK$16.20	–

No share options were exercised during the year.

The options outstanding at 31 December 2011 had an exercise price of HK$16.20 (2010: HK$16.20) and a weighted average remaining contractual life of 9 years (2010: 10 years).

23. Taxation in the Consolidated Statement of Financial Position

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

Current taxation in the consolidated statement of financial position represents provision for PRC Corporate Income Tax.

(b) Deferred tax assets and liabilities recognised:

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

	The Group		
Deferred tax arising from:	**Dividend withholding tax RMB'000**	**Others RMB'000**	**Total RMB'000**
As at 1 January 2010	49,612	(11,750)	37,862
Charges/(credited) for the year (note 5(a))	69,172	(34,593)	34,579
As at 31 December 2010 and 1 January 2011	**118,784**	**(46,343)**	**72,441**
Released upon distribution of dividends (note 5(a)(iv))	**(54,667)**	**–**	**(54,667)**
Charges/(credited) for the year (note 5(a))	**68,167**	**(5,158)**	**63,009**
As at 31 December 2011	**132,284**	**(51,501)**	**80,783**

(c) Deferred tax assets not recognised:

As at 31 December 2011, the Group's certain subsidiaries have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB141,007,000 (2010: RMB138,848,000) of which RMB49,892,000 (2010: RMB48,667,000) 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 31 December 2011, temporary differences relating to the undistributed profits of the Group's certain subsidiaries in the Mainland China amounted to RMB2,408,495,000 (2010: RMB1,583,786,000). Deferred tax liabilities of RMB120,425,000 (2010: RMB79,189,000) 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.

24. Share Capital

	Par value HK$	Number of shares '000	Nominal value of ordinary HK$'000
Authorised:			
As at 31 December 2010 and 2011	**0.10**	**5,000,000**	**500,000**

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

	Par value	Number of shares	Nominal value of ordinary shares	
	HK$	'000	HK$'000	RMB'000
Issued and fully paid:				
As at 1 January 2010	0.10	2,492,088	249,209	241,838
Shares issued pursuant to Pre-IPO share option scheme	0.10	1,745	174	153
As at 31 December 2010 and 1 January 2011	**0.10**	**2,493,833**	**249,383**	**241,991**
Shares issued pursuant to Pre-IPO share option scheme	**0.10**	**330**	**33**	**28**
As at 31 December 2011	**0.10**	**2,494,163**	**249,416**	**242,019**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

During the year, pursuant to the Company's Pre-IPO Option (note 22(a)), options were exercised to subscribe for 330,000 (2010: 1,745,000) ordinary shares in the Company at a consideration of RMB1,156,000 (2010: RMB6,462,000) of which RMB28,000 (2010: RMB153,000) was credited to share capital and the balance of RMB1,128,000 (2010: RMB6,309,000) was credited to the share premium account. RMB41,000 (2010: RMB155,000) has been transferred from the share-based compensation reserve to the share premium account. 7,510,000 options (2010: Nil) was forfeited during the year. As at 31 December 2011, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's Pre-IPO Option and the Share Option Scheme is 34,972,000 (2010: 42,812,000).

25. Reserves

The Group

	Note	Share premium RMB'000 (Note 25(a))	Capital reserve RMB'000 (Note 25(b))	Statutory reserve RMB'000 (Note 25(c))	Exchange reserve RMB'000 (Note 25(d))	Share-based compensation reserve RMB'000 (Note 25(e))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2010		2,078,956	141,029	249,282	(256,560)	1,666	2,623,728	4,838,101
Profit for the year		–	–	–	–	–	1,551,113	1,551,113
Other comprehensive income		–	–	–	(35,902)	–	–	(35,902)
Total comprehensive income		–	–	–	(35,902)	–	1,551,113	1,515,211
Dividends approved in respect of the previous year	26(b)	(504,290)	–	–	–	–	–	(504,290)
Dividends declared in respect of the current year	26(a)	(435,813)	–	–	–	–	–	(435,813)
Shares issued pursuant to Pre-IPO share option scheme	24	6,464	–	–	–	(155)	–	6,309
Appropriation to statutory reserve	25(c)	–	–	86,168	–	–	(86,168)	–
Equity-settled share-based payments	25(e)	–	–	–	–	16,522	–	16,522
As at 31 December 2010 and 1 January 2011		**1,145,317**	**141,029**	**335,450**	**(292,462)**	**18,033**	**4,088,673**	**5,436,040**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**1,730,122**	**1,730,122**
Other comprehensive income		**–**	**–**	**–**	**(22,970)**	**–**	**–**	**(22,970)**
Total comprehensive income		**–**	**–**	**–**	**(22,970)**	**–**	**1,730,122**	**1,707,152**
Dividends approved in respect of the previous year	26(b)	**(523,651)**	**–**	**–**	**–**	**–**	**–**	**(523,651)**
Dividends declared in respect of the current year	26(a)	**(287,700)**	**–**	**–**	**–**	**–**	**(243,510)**	**(531,210)**
Shares issued pursuant to Pre-IPO share option scheme	24	**1,169**	**–**	**–**	**–**	**(41)**	**–**	**1,128**
Appropriation to statutory reserve	25(c)	**–**	**–**	**75,493**	**–**	**–**	**(75,493)**	**–**
Equity-settled share-based payments	25(e)	**–**	**–**	**–**	**–**	**40,412**	**–**	**40,412**
As at 31 December 2011		**335,135**	**141,029**	**410,943**	**(315,432)**	**58,404**	**5,499,792**	**6,129,871**

25. Reserves (Continued)

The Company

	Note	Share premium RMB'000 (Note 25(a))	Exchange reserve RMB'000 (Note 25(d))	Share-based compensation reserve RMB'000 (Note 25(e))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2010		2,078,956	(315,800)	1,666	86,700	1,851,522
Profit for the year	9	–	–	–	12,893	12,893
Other comprehensive income		–	(44,045)	–	–	(44,045)
Total comprehensive income		–	(44,045)	–	12,893	(31,152)
Dividends approved in respect of the previous year	26(b)	(504,290)	–	–	–	(504,290)
Dividends declared in respect of the current year	26(a)	(435,813)	–	–	–	(435,813)
Shares issued pursuant to Pre-IPO share option scheme	24	6,464	–	(155)	–	6,309
Equity-settled share-based payments	25(e)	–	–	16,522	–	16,522
As at 31 December 2010 and 1 January 2011		**1,145,317**	**(359,845)**	**18,033**	**99,593**	**903,098**
Profit for the year	9	**–**	**–**	**–**	**768,541**	**768,541**
Other comprehensive income		**–**	**(30,370)**	**–**	**–**	**(30,370)**
Total comprehensive income		**–**	**(30,370)**	**–**	**768,541**	**738,171**
Dividends approved in respect of the previous year	26(b)	**(523,651)**	**–**	**–**	**–**	**(523,651)**
Dividends declared in respect of the current year	26(a)	**(287,700)**	**–**	**–**	**(243,510)**	**(531,210)**
Shares issued pursuant to Pre-IPO share option scheme	24	**1,169**	**–**	**(41)**	**–**	**1,128**
Equity-settled share-based payments	25(e)	**–**	**–**	**40,412**	**–**	**40,412**
As at 31 December 2011		**335,135**	**(390,215)**	**58,404**	**624,624**	**627,948**

(a) Share Premium and distributability of reserves

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

The aggregate amount of distributable reserves, including share premium and retained profits, of the Company as at 31 December 2011 was HK$754,303,000 (2010: HK$1,075,731,000).

(b) Capital Reserve

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

25. Reserves (Continued)

(c) 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.

(d) Exchange Reserve

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

(e) Share-based Compensation Reserve

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

(f) Capital Management

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

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

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

26. Dividends

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

	2011 RMB'000	2010 RMB'000
Interim dividend declared and paid after the interim period of HK26 cents per ordinary share (2010: HK20 cents per ordinary share)	**531,210**	435,813
Final dividend proposed after the end of the reporting period of HK26 cents per ordinary share (2010: HK25 cents per ordinary share)	**525,725**	523,651
	1,056,935	959,464

The final dividend proposed after the end of the reporting period have not been recognised as a liability as at the end of the reporting period.

26. Dividends (Continued)

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

	2011 RMB'000	2010 RMB'000
Final dividend in respect of the financial year ended 31 December 2010, approved and paid during the year, of HK25 cents per ordinary share (2009: HK12 cents per ordinary share)	**523,651**	263,108
Special dividend*	**–**	241,182
	523,651	504,290

* *The amount represented special dividend in respect of the financial year ended 31 December 2009, approved and paid during 2010.*

27. Financial Risk Management and Fair Values

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

(a) Credit Risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits with banks. In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at the end of the reporting period, 8% (2010: 10%) and 34% (2010: 31%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

In respect of deposits with banks, the Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings.

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

(b) Liquidity Risk

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

27. Financial Risk Management and Fair Values (Continued)

(b) Liquidity Risk (Continued)

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

The Group

	Contractual undiscounted cash flows					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount on consolidated statement of financial position RMB'000
As at 31 December 2011						
Trade and other payables	**1,471,495**	**–**	**–**	**–**	**1,471,495**	**1,471,495**
Amount due to a related party	**1,900**	**–**	**–**	**–**	**1,900**	**1,900**
Long-term payable to non-controlling interests	**–**	**3,794**	**11,382**	**79,677**	**94,853**	**39,109**
	1,473,395	**3,794**	**11,382**	**79,677**	**1,568,248**	**1,512,504**
As at 31 December 2010						
Trade and other payables	1,070,646	–	–	–	1,070,646	1,070,646
Amount due to a related party	2,745	–	–	–	2,745	2,745
Long-term payable to non-controlling interests	–	3,982	11,947	87,608	103,537	41,582
	1,073,391	3,982	11,947	87,608	1,176,928	1,114,973

The Company

	2011			2010		
	Within 1 year or on demand RMB'000	Total RMB'000	Carrying amount on statement of financial position RMB'000	Within 1 year or on demand RMB'000	Total RMB'000	Carrying amount on statement of financial position RMB'000
Other payables and accruals	**1,632**	**1,632**	**1,632**	1,951	1,951	1,951

27. Financial Risk Management and Fair Values (Continued)

(c) Interest Rate Risk

(i) Interest Rate Profile

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

	The Group			
	2011		2010	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Financial assets				
Fixed rate instruments:				
Pledged deposits	**3.05%~3.24%**	**14,734**	3.24%	9,640
Bank deposits	**1.49%~4.40%**	**3,516,373**	0.01%-3.50%	4,090,021
		3,531,107		4,099,661
Variable rate instruments:				
Cash at bank and in hand	**0.01%**	**911,860**	0.01%	201,130
		911,860		201,130
Total instruments		**4,442,967**		4,300,791
Fixed rate instruments as a percentage of total instruments		**79%**		95%

	The Company			
	2011		2010	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Financial assets				
Fixed rate instruments:				
Bank deposits	**1.49%-1.60%**	**133,805**	0.01%-0.87%	165,521
		133,805		165,521
Variable rate instruments:				
Cash at bank and in hand	**0.01%**	**305**	0.01%	34,916
		305		34,916
Total instruments		**134,110**		200,437
Fixed rate instruments as a percentage of total instruments		**99%**		83%

27. Financial Risk Management and Fair Values (Continued)

(c) Interest Rate Risk (Continued)

(ii) Sensitivity Analysis

As at 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profit for the year by approximately RMB38,113,000 (2010: RMB36,874,000). Other components of consolidated equity would not be affected (2010: Nil) by the changes in interest rates.

The sensitivity analysis has been performed assuming that the change in interest rates had occurred at the end of reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of reporting period. The impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(d) Currency Risk

The Group is exposed to currency risk primarily through contractual obligations, bank deposits, amounts due to intermediate holding company and long term payable to non-controlling interests that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Hong Kong dollars and United States dollars.

The Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rate where necessary to address short-term imbalances.

(i) Exposure to Currency Risk

The following table details the Group's major exposure as at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the reporting period. Differences resulting from the translation of the financial statements of operations outside Mainland China into the Group's presentation currency is excluded.

The Group

	Exposure to foreign currencies (expressed in Renminbi)			
	2011 Hong Kong Dollars RMB'000	**2011 United States Dollars RMB'000**	2010 Hong Kong Dollars RMB'000	2010 United States Dollars RMB'000
Cash and cash equivalents	**178**	**459**	99	168
Trade and other receivables	**3**	**3,587**	1,048	4,479
Amount due to intermediate holding company	**(16,214)**	**–**	(17,018)	–
Trade and other payables	**(41)**	**(9,086)**	(95)	(12,125)
Long-term payable to non-controlling interests	**–**	**(39,109)**	–	(41,582)
Net exposure to currency risk	**(16,074)**	**(44,149)**	(15,966)	(49,060)

27. Financial Risk Management and Fair Values (Continued)

(d) Currency Risk (Continued)

(ii) Sensitivity Analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and other components of consolidated equity that would arise if the foreign exchange rates to which the Group has significant exposure as at the end of the reporting period had changed, assuming all other risk variables remained constant.

	2011			2010		
	Increase/ (decrease) in foreign exchange rates in %	**Effect on profit after tax and retained profits RMB'000**	**Effect on other components of equity RMB'000**	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Hong Kong dollars	**5**	**(683)**	**–**	5	(679)	–
	(5)	**683**	**–**	(5)	679	–
United States dollars	**5**	**(2,208)**	**–**	5	(2,446)	–
	(5)	**2,208**	**–**	(5)	2,446	–

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency as at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside Mainland China into the Group's presentation currency. The analysis is performed on the same basis for 2010.

(e) Commodity Price Risk

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

(f) Business Risk

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

(g) Fair Values

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2011 except that the fair value of the long-term payable to non-controlling interests is approximately RMB46,000,000 (2010: RMB52,000,000), which is estimated using the expected future payments discounted at prevailing market interest rate as at the end of the reporting period.

28. Commitments

(a) Operating Leases

As at 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2011 RMB'000	2010 RMB'000
Within 1 year	**42,322**	38,297
After 1 year but within 5 years	**32,266**	42,527
After 5 years	**1,120**	2,800
	75,708	83,624

The Group leases a number of properties under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew when all terms are renegotiated.

(b) Capital Commitments

Capital commitments outstanding as at 31 December 2011 not provided for in the financial statements were as follows:

	2011 RMB'000	2010 RMB'000
Contracted for	**50,472**	81,970
Authorised but not contracted for	**197,634**	322,855
	248,106	404,825

29. Material Related Party Transactions

(a) Transactions with related parties

During the year ended 31 December 2011, the Group purchased raw materials from Quanzhou Anda Packaging Co., Ltd ("Quanzhou Anda") totalling RMB20,570,000 (2010: RMB14,912,000). The Directors of the Company are of the opinion that such purchases were conducted on normal commercial terms and in the ordinary course of business.

(b) Balance with a Related Party

As at the end of the reporting period, trade balance due to Quanzhou Anda amounted to RMB1,900,000 (2010: RMB2,745,000). The amount due to Quanzhou Anda is unsecured, interest free and is expected to be paid within one year.

(c) Key Management Personnel Remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Directors as disclosed in note 6 and certain of the highest paid employees as disclosed in note 7, is as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	**11,921**	8,553
Equity-settled share-based payments	**2,636**	901
	14,557	9,454

Total remuneration is included in "staff costs" (see note 4(a)).

30. Significant Accounting Estimates and Judgements

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

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. Other than the assumptions relating to the valuation of fair value of share options granted as set forth in note 22, the Group believes the following critical accounting policies involve the most significant estimates and judgements used in the preparation of the consolidated financial statements.

(a) Impairments

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

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

(b) Net Realisable Value of Inventories

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

(c) Depreciation and Amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses charge for the year. The management determines that the remaining useful life of the Fila PRC Trademark is 36 years based on management's expertise in the sportswear industry. It could change significantly as a result of changes in the sportswear market. The useful lives of other assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(d) Provision for Deferred Tax

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

31. Revised IFRSs

The IASB has issued 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:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)

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

The impacts of other developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to IFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the disclosures of the Group's financial instruments in the financial statements.

32. Non-adjusting Event after the Reporting Period

After the end of the reporting period the Directors proposed a final dividend. Further details are disclosed in note 26.

33. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the Year Ended 31 December 2011

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to IAS 12	Income taxes – Deferred tax: Recovery of underlying assets	1 January 2012
Amendments to IAS 1	Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 13	Fair value measurement	1 January 2013
IAS 27	Separate financial statements (2011)	1 January 2013
Revised IAS 19	Employee benefits	1 January 2013

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

34. Immediate and Ultimate Holding Company

The Directors consider the immediate and ultimate holding company of the Company as at 31 December 2011 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

35. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the Board on 20 February 2012.

SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of Compliance

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

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

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

(B) Basis of Preparation

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries. The consolidated financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, and are prepared on the historical cost basis except that the financial assets at fair value through profit or loss are stated at their fair value as explained in (L) below.

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

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

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

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with major sources of estimation uncertainty are discussed in note 30.

(C) Basis of Consolidation

The consolidated financial statements for the year ended 31 December 2011 include the financial statements of the Company and its subsidiaries.

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

(C) Basis of Consolidation (Continued)

Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with (N).

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see (J)).

(D) Other Investments in Equity Investments

Investments in equity investments are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. Investments in equity investments that do not have quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see (J)).

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

(E) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see (J)).

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

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

– Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.

– Plant and machinery	5-10 years
– Motor vehicles	5 years
– Furniture and fixtures	3-5 years
– Retail outlets leasehold improvements	2 years

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

(F) Construction in Progress

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

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

(G) Lease Prepayments

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

(H) Intangible Assets

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

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

– patents and trademarks	10-40 years
– computer software	3-10 years

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

(I) Operating Lease Charges

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

(J) Impairment of Assets

(i) Impairment of Investments in Equity Securities and Trade and Other Receivables

Investments in equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale equity investments are reviewed at each end of the reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

(J) Impairment of Assets (Continued)

(i) Impairment of Investments in Equity Securities and Trade and Other Receivables (Continued)

– For available-for-sale equity investments, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity investments are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

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

(ii) Impairment of Other Assets

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

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(K) Inventories

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

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

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

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

(L) Trade and Other Receivables

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

(M) Financial Assets at Fair Value Through Profit or Loss

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

(N) Payables

Trade and other payables and payable to non-controlling interests are initially recognised at fair value. Trade and other payables and payable to non-controlling interests are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(O) Cash and Cash Equivalents

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

(P) Employee Benefits

(i) Short Term Employee Benefits and Contributions to Defined Contribution Retirement Plans

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

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

(P) Employee Benefits (Continued)

(ii) Share-based Payments

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

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

(Q) Income Tax

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(R) Provisions and Contingent Liabilities

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

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

(S) Revenue Recognition

Revenue is measured at fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of Goods

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

(ii) Interest Income

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

(iii) Rental Income from Operating Leases

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

(iv) Government Grants

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

(v) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(T) Translation of Foreign Currencies

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

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

The results of operations outside Mainland China are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position's items are translated into Renminbi at the closing foreign exchange rates as at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of an operation outside Mainland China, the cumulative amount of the exchange differences relating to that operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(U) Borrowing Costs

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

(V) Research and Development

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

(W) Dividends

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

(X) Related Parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(Y) Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Anta Enterprise Group Limited ("Anta Enterprise")	BVI/Hong Kong	USD10,000/ USD50,000	100%	–	Investment holding
Motive Force Sports Products Limited ("Motive Force")	BVI/Hong Kong	USD10,000/ USD50,000	100%	–	Investment holding
Anda International Investment Limited ("Anda Int'l Inv")	Hong Kong	HKD1,000,000/ HKD1,000,000	–	100%	Investment holding
ANTA International Limited ("ANTA Int'l")	Hong Kong	HKD1/HKD10,000	–	100%	Management services
安踏(中國)有限公司(「安踏中國」) ANTA (China) Co., Ltd. ("ANTA China") (Notes (i) and (iii))	PRC	HKD600,000,000/ HKD600,000,000	–	100%	Manufacturing and trading of sporting goods
安踏(長汀)體育用品有限公司 (「安踏長汀」) ANTA (Changting) Sports Products Co., Ltd. ("ANTA Changting") (Notes (i) and (iii))	PRC	HKD80,000,000/ HKD80,000,000	–	100%	Manufacturing of sporting goods
安踏(廈門)體育用品有限公司 (「安踏廈門」) ANTA (Xiamen) Sports Goods Co., Ltd. ("ANTA Xiamen") (Notes (i) and (iii))	PRC	HKD50,000,000/ HKD50,000,000	–	100%	Manufacturing of sporting goods
安踏(泉州)體育用品有限公司 (「安踏泉州」) ANTA (Quanzhou) Sports Products Limited ("ANTA Quanzhou") (Notes (i) and (iii))	PRC	HKD100,000,000/ HKD100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏貿易有限公司 (「廈門安踏貿易」) Xiamen ANTA Trading Co., Ltd. ("Xiamen ANTA Trading") (Notes (i) and (iii))	PRC	HKD300,000,000/ HKD300,000,000	–	100%	Trading of sporting goods
廈門安踏投資管理有限公司 (「廈門安踏投資」) Xiamen ANTA Investment Management Company Limited ("Xiamen ANTA Investment") (Notes (ii) and (iii))	PRC	RMB200,000,000/ RMB200,000,000	–	100%	Investment holding
晉江安踏貿易有限公司 (「晉江安踏貿易」) Jinjiang ANTA Trading Co., Ltd. ("Jinjiang ANTA Trading") (Notes (ii) and (iii))	PRC	RMB10,000,000/ RMB10,000,000	–	100%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Issued and fully paid up/ registered capital	Attributable equity interest Direct	Indirect	Principal activities
北京安踏體育用品有限公司 (「北京安踏」) Beijing ANTA Sports Products Limited ("Beijing ANTA") (Notes (ii) and (iii))	PRC	RMB10,000,000/ RMB10,000,000	–	100%	Retailing of sporting goods
廈門安踏實業有限公司 (「廈門安踏實業」) Xiamen ANTA Industrial Limited ("Xiamen ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB100,000,000/ RMB100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏電子商務有限公司 (「廈門安踏電子商務」) Xiamen ANTA E-Commerce Limited ("Xiamen ANTA E-Commerce") (Notes (ii) and (iii))	PRC	RMB10,000,000/ RMB10,000,000	–	100%	Retailing of sporting goods
安慶市安踏體育用品有限公司 (「安慶安踏」) Anqing ANTA Sports Products Limited ("Anqing ANTA") (Notes (ii) and (iii))	PRC	RMB50,000,000/ RMB50,000,000	–	100%	Trading of sporting goods
Fila Marketing (Hong Kong) Limited ("Fila Marketing")	Hong Kong	HKD79,800,000/ HKD79,800,000	–	100%	Retailing of sporting goods
Fila (Macao) Limited ("Fila Macao")	Macao	MOP25,000/ MOP25,000	–	100%	Retailing of sporting goods
Full Prospect Limited ("Full Prospect")	Cayman Islands/ Hong Kong	USD100/ USD50,000	–	85%	Investment holding
Full Prospect (IP) PTE Ltd ("Full Prospect IP")	Singapore/ Hong Kong	USD200,000/ USD200,000	–	85%	Trademark holding
Speed Benefit Limited ("Speed Benefit")	Hong Kong	HKD1,000,000/ HKD1,000,000	–	85%	Investment holding
斐樂體育有限公司 (「斐樂中國」) Fila PRC Co. Limited ("Fila China") (Notes (i) and (iii))	PRC	USD9,000,000/ USD9,000,000	–	85%	Trading of sporting goods
廈門斐樂體育用品有限公司 (「廈門斐樂」) Xiamen Fila Sports Products Limited ("Xiamen Fila") (Notes (ii) and (iii))	PRC	RMB20,000,000/ RMB20,000,000	–	85%	Retailing of sporting goods

Notes:

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

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

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

GLOSSARY

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

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 and its subsidiary and an 85% equity interest in Full Prospect 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

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

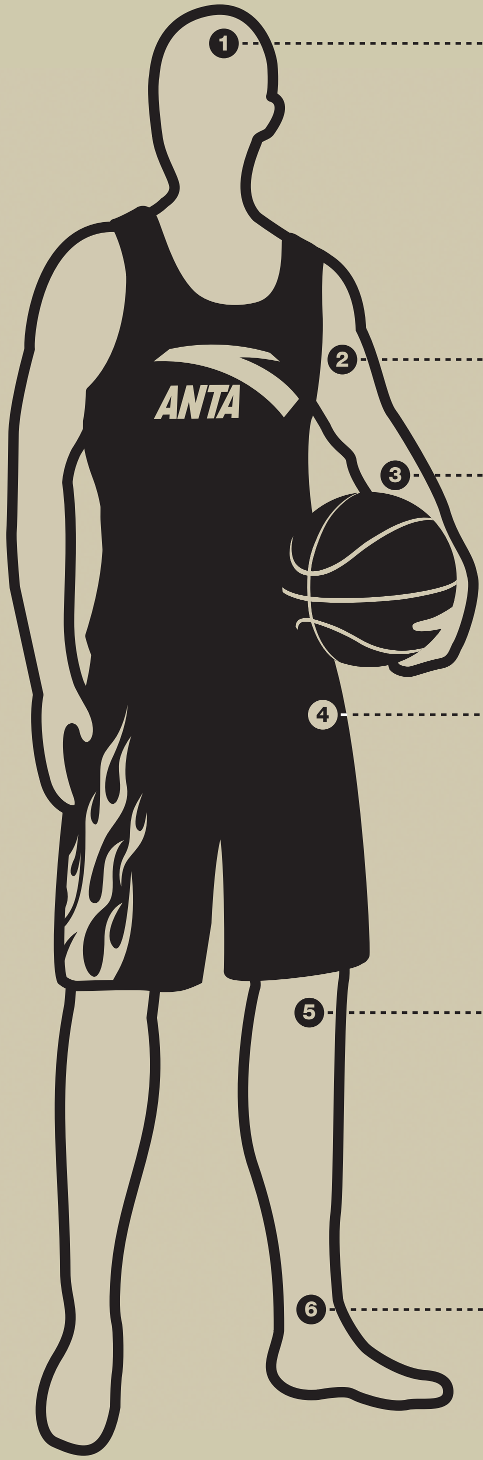
Shareholders
Shareholders of the Company

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

Year
The year ended 31 December 2011



Corporate Profile

As one of the leading branded sportswear enterprises in China, ANTA Sports Products Limited primarily designs, develops, manufactures and markets sportswear, including sports footwear, apparel and accessories. The Group has established extensive distribution network with a leading presence in 2nd and 3rd tier cities in China under the management of regional distributors. The Group places great emphasis on branding by integrating sports resources and sponsorship, advertising and promotional activities and consistent store image to enhance brand and product differentiation. For the past 10 years, its footwear has been enjoying a leading position in China composed index on market shares.

Share Information

Listing Day:	10 July 2007
Board lot size:	1,000 shares
Numbers of shares in outstanding:	2,494,163,000 shares (As at 31 December 2011)

Stock Codes

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

Dividends

HK cents	2007	2008	2009	2010	2011
Interim dividend	–	10	12	20	26
Final dividend	8	10	12	25	26
Special dividend	–	8	11	–	–

IR Contact

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Important Dates

1	20 February 2012	2011 annual results announcement
2	29 March to 2 April 2012 (both days inclusive)	Book closure
3	2 April 2012	Annual general meeting
4	11 April 2012	Record date of 2011 final dividend
5	on or about 20 April 2012	Payment date of 2011 final dividend
6	31 December 2012	Financial year end date of 2012

ANTA

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