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

STOCK CODE — 2020 — .HK

FINANCIAL YEAR — 2019 — ANNUAL REPORT

2020 KEEP MOVING

ANNUAL REPORT 2019

NDI.KOLON SPORT.KINGKOW.ANTA.ANTA KIDS.FIL
KIDS.FILA FUSION.DESCENTE.SPRANDI.KOLON SPO
KOW.ANTA.ANTA KIDS.FILA.FILA KIDS.FILA FUSION
ENTE.SPRANDI.KOLON SPORT.KINGKOW.ANTA.ANT
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KIDS.FILA.FILA KIDS.FILA FUSION.DESCENTE
N SPORT.KINGKOW.ANTA.ANTA KIDS.FILA
ON.DESCENTE.SPRANDI.KOLON SPORT
KIDS.FILA.FILA KIDS.FILA FUSION.DE
N SPORT.KINGKOW.ANTA.ANTA KIDS
ON.DESCENTE.SPRANDI.KOLON SPORT.KINGKOW
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KIDS.FILA.FILA KIDS.FILA FUSION.DESCENTE.SPR
N SPORT.KINGKOW.ANTA.ANTA KIDS.FILA.FILA KIN

CONTENTS

CORPORATE PROFILE

ANTA brand was established in 1991, while ANTA Sports Products Limited, a leading sportswear company in China, was listed on the Main Board of HKEx in 2007 (Stock code: 2020.HK). For many years, ANTA Sports has been principally engaging in the design, development, manufacturing and marketing of ANTA sportswear series to provide the mass market in China with professional sporting products including footwear, apparel and accessories. By embracing an all-round brand portfolio including ANTA, FILA, DESCENTE, SPRANDI, KINGKOW, and KOLON SPORT, and by setting up an investor consortium to successfully acquire Amer Sports Corporation in 2019, a Finnish sportswear group that has internationally recognized brands including Salomon, Arc’teryx, Peak Performance, Atomic, Suunto, Wilson and Precor etc. ANTA Sports aims to unlock the potential of both the mass and high-end sportswear markets.

MISSION

To integrate the sports spirit of “Going Beyond Oneself” into everyone’s daily life.

VISION

To become respectable world-class, multi-brand sportswear group.

CORE VALUES

- Consumer-centric
- Devotion
- Innovation and Pushing Ahead
- Respect and Appreciation
- Integrity and Gratitute

CORPORATE INFORMATION

Board

Executive Directors	Ding Shizhong (Chairman), Ding Shijia (Deputy Chairman), Lai Shixian, Wu Yonghua, Zheng Jie
Non-Executive Director	Wang Wenmo
Independent Non-Executive Directors	Yiu Kin Wah Stephen, Mei Ming Zhi, Dai Zhongchuan
Company Secretary	Tse Kin Chung

Board committees

Audit Committee	Yiu Kin Wah Stephen (Chairman)	Mei Ming Zhi	Dai Zhongchuan
Remuneration Committee	Yiu Kin Wah Stephen (Chairman)	Dai Zhongchuan	Ding Shizhong
Nomination Committee	Dai Zhongchuan (Chairman)	Yiu Kin Wah Stephen	Lai Shixian
Risk Management Committee	Yiu Kin Wah Stephen (Chairman)	Dai Zhongchuan	Lai Shixian

Authorized representatives

Ding Shizhong, Lai Shixian

Registered office

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

Principal Place of Business in Hong Kong

Hong Kong Office
16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong

Head offices in Mainland China

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

Xiamen Office
No. 99 Jiayi Road, Guanyinshan, Xiamen, Fujian Province, China
Postal code: 361008

Share registrars and transfer offices

Cayman Islands Principal Registrar
SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586,
Grand Cayman, KY1-1110, Cayman Islands

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

Legal adviser

Luk & Partners In Association with
Morgan, Lewis & Bockius

Auditor

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with
the Financial Reporting Council
Ordinance

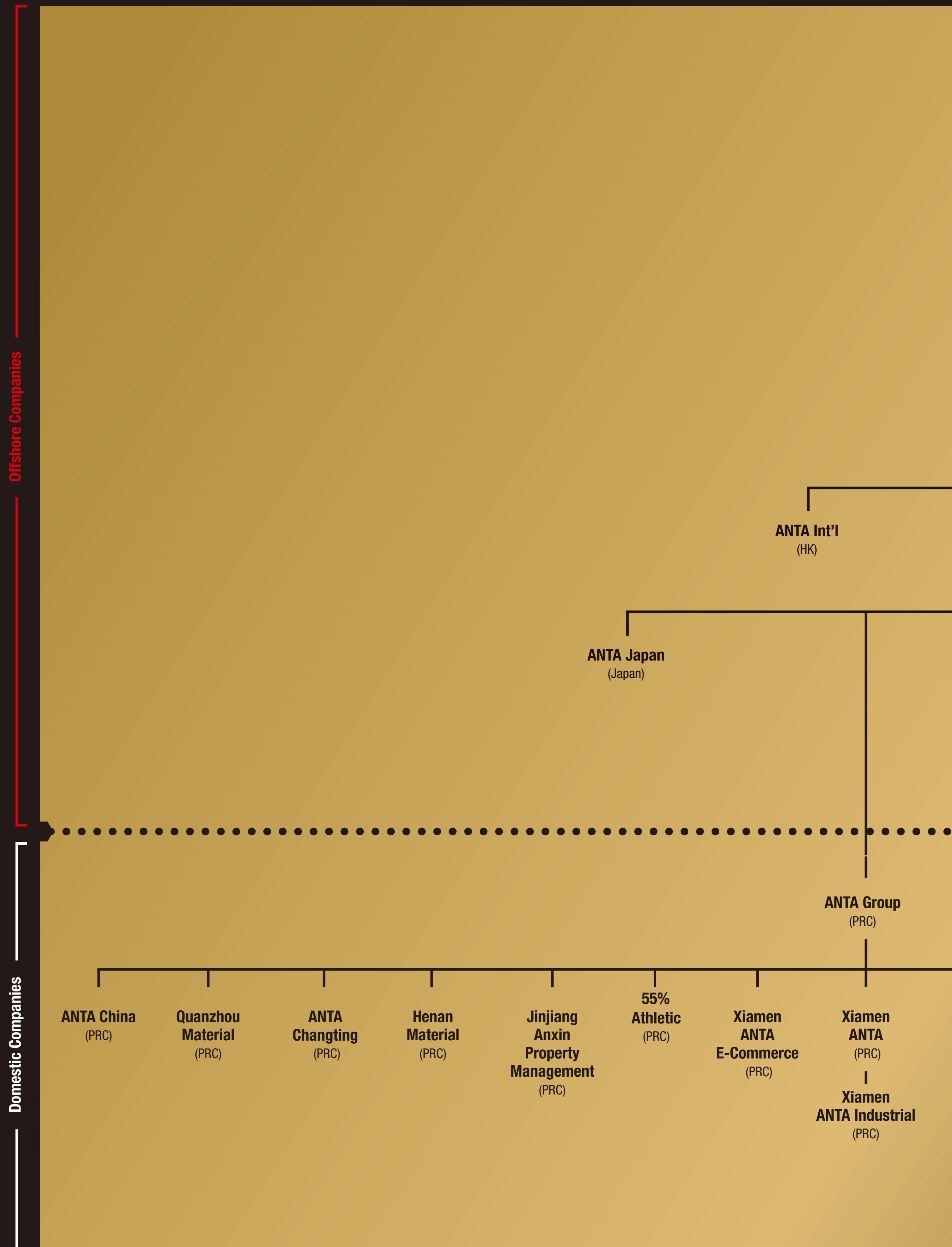
Risk management and internal control review adviser

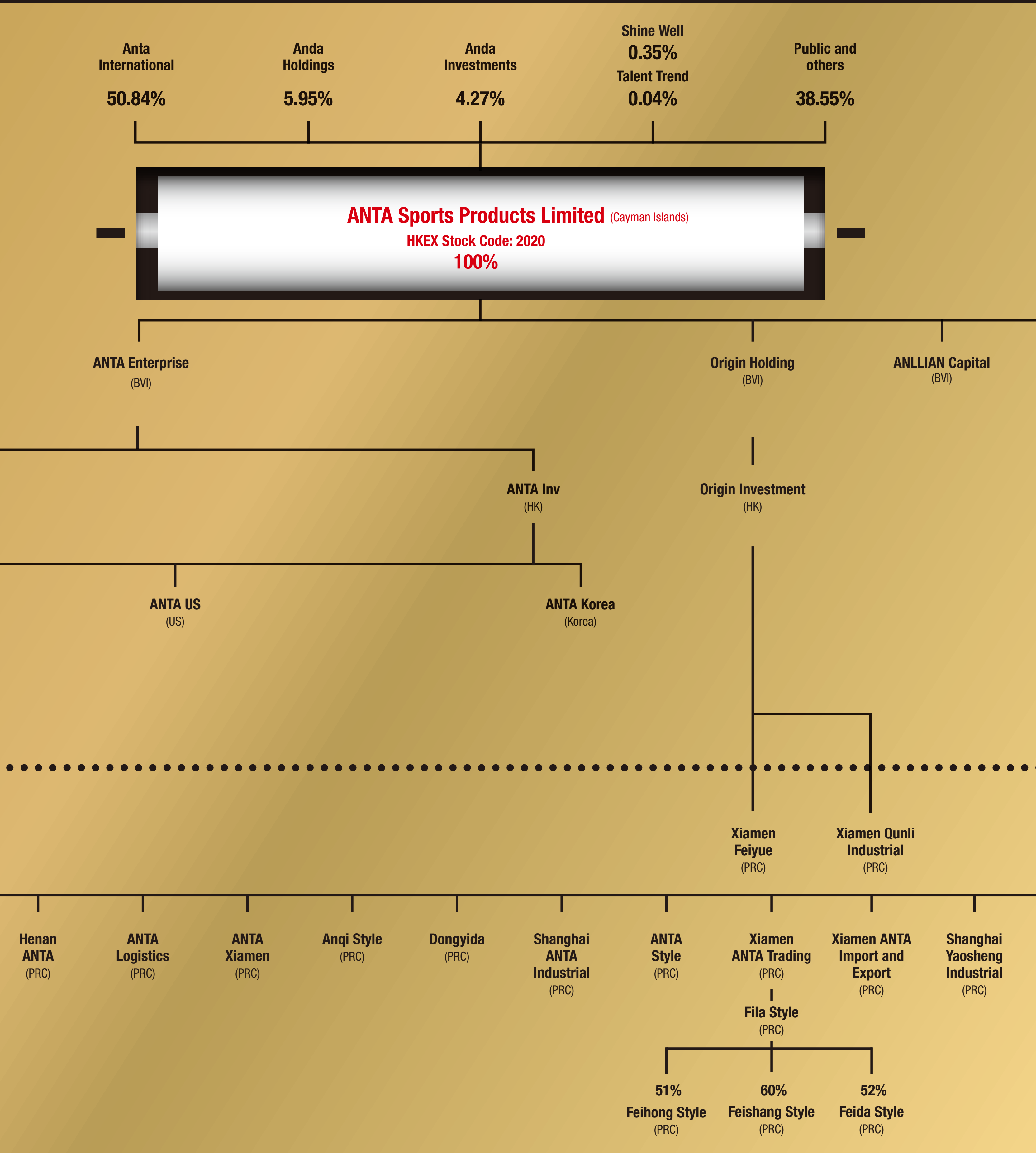
KPMG Advisory (China) Limited

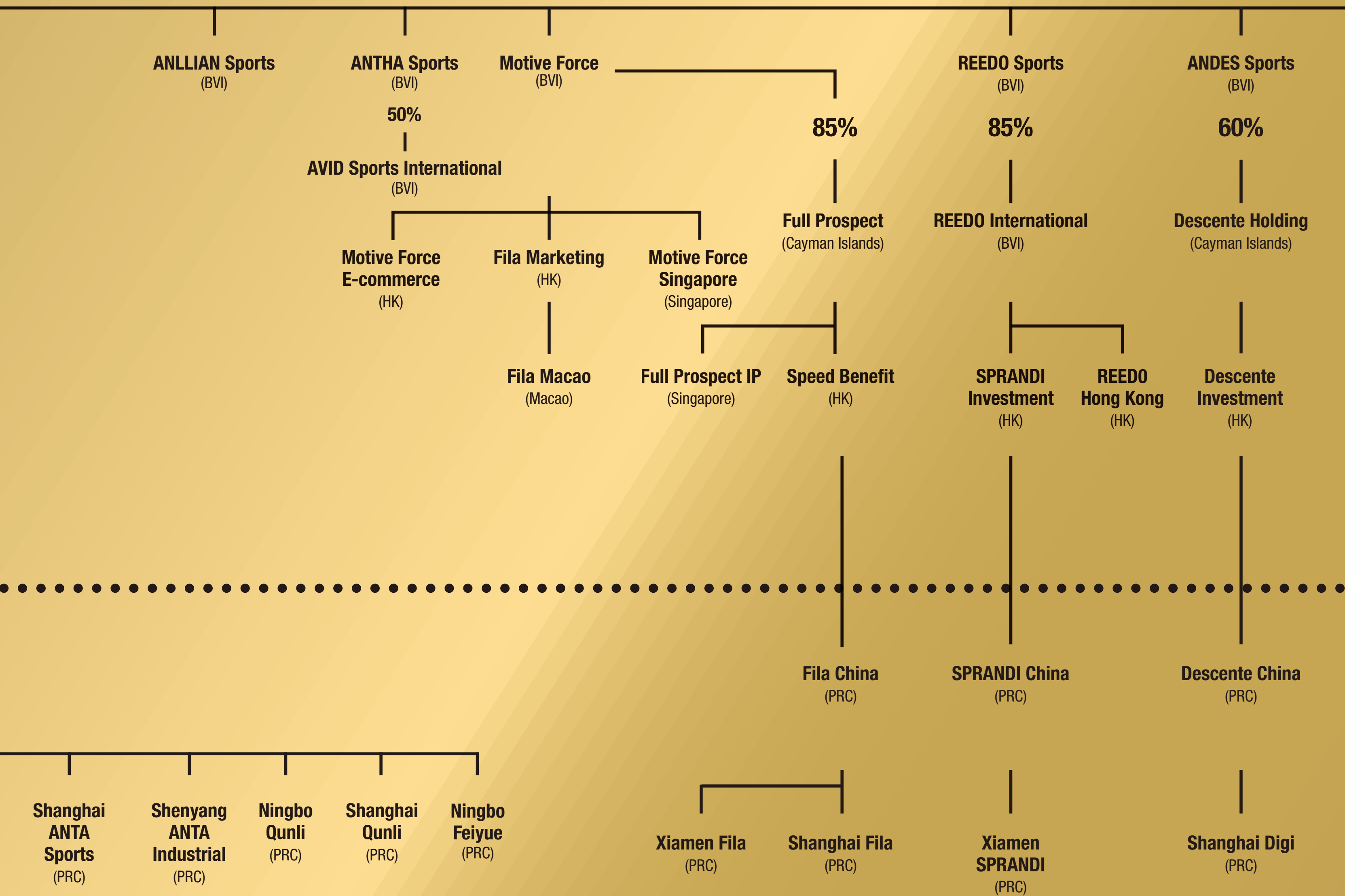
Principal bankers

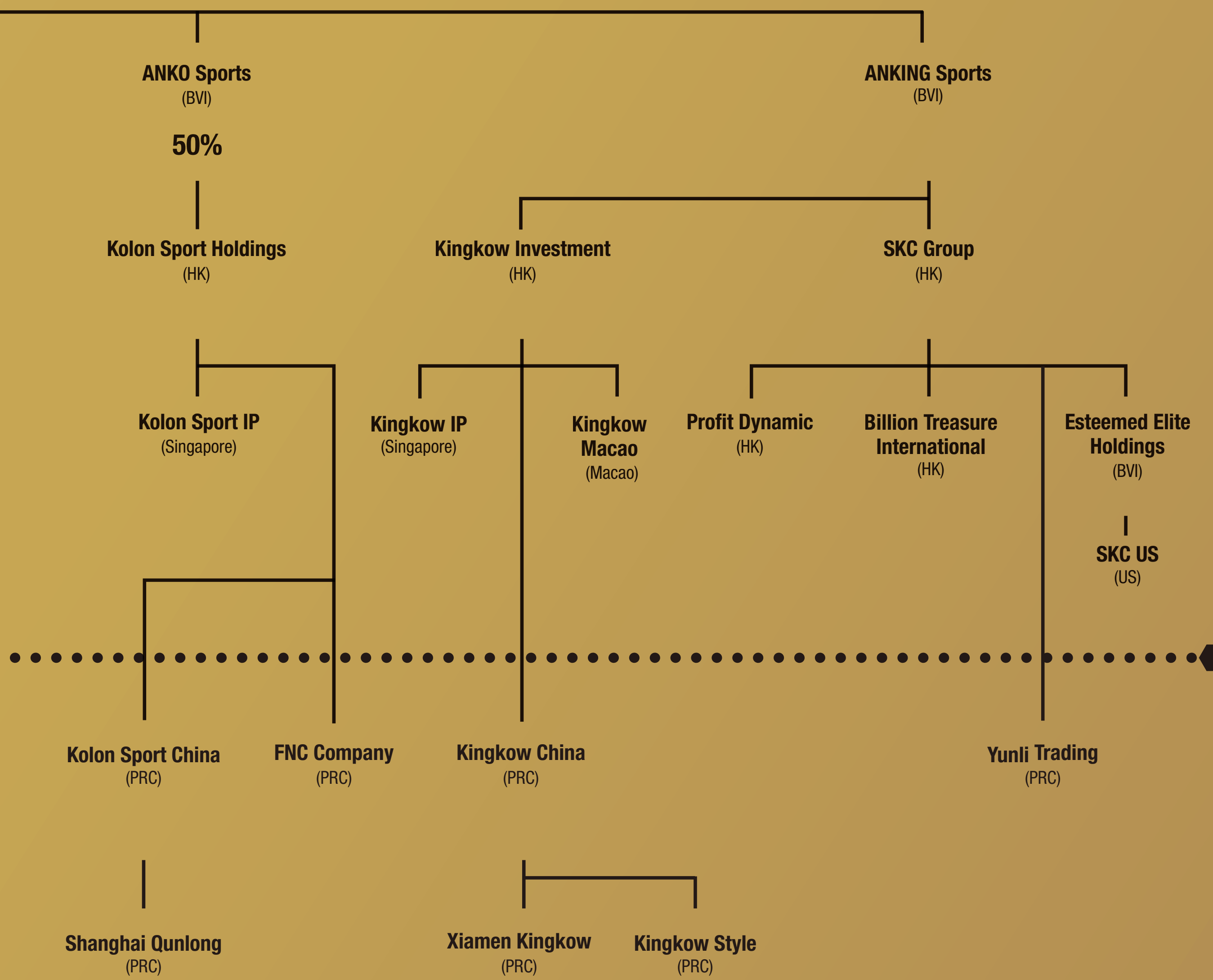
Bank of China (Hong Kong) Limited
Bank of China Limited
Industrial Bank Co., Ltd.
Citibank, N.A.

GROUP STRUCTURE




Anta International
50.84%
Anda Holdings
5.95%
Anda Investments
4.27%
Shine Well
0.35%
Talent Trend
0.04%
Public and others
38.55%
ANTA Sports Products Limited (Cayman Islands)
HKEX Stock Code: 2020
100%
ANTA Enterprise
(BVI)
Origin Holding
(BVI)
ANLLIAN Capital
(BVI)
ANTA Inv
(HK)
Origin Investment
(HK)
ANTA US
(US)
ANTA Korea
(Korea)
Xiamen Feiyue
(PRC)
Xiamen Qunli Industrial
(PRC)
Henan ANTA
(PRC)
ANTA Logistics
(PRC)
ANTA Xiamen
(PRC)
Anqi Style
(PRC)
Dongyida
(PRC)
Shanghai ANTA Industrial
(PRC)
ANTA Style
(PRC)
Xiamen ANTA Trading
(PRC)
Fila Style
(PRC)
Xiamen ANTA Import and Export
(PRC)
Shanghai Yaosheng Industrial
(PRC)
51%
Feihong Style
(PRC)
60%
Feishang Style
(PRC)
52%
Feida Style
(PRC)


ANLLIAN Sports (BVI)
ANTHA Sports (BVI)
Motive Force (BVI)
REEDO Sports (BVI)
ANDES Sports (BVI)
50%
85%
85%
60%
AVID Sports International (BVI)
Full Prospect (Cayman Islands)
REEDO International (BVI)
Descente Holding (Cayman Islands)
Motive Force E-commerce (HK)
Fila Marketing (HK)
Motive Force Singapore (Singapore)
Fila Macao (Macao)
Full Prospect IP (Singapore)
Speed Benefit (HK)
SPRANDI Investment (HK)
REEDO Hong Kong (HK)
Descente Investment (HK)
Fila China (PRC)
SPRANDI China (PRC)
Descente China (PRC)
Shanghai ANTA Sports (PRC)
Shenyang ANTA Industrial (PRC)
Ningbo Qunli (PRC)
Shanghai Qunli (PRC)
Ningbo Feiyue (PRC)
Xiamen Fila (PRC)
Shanghai Fila (PRC)
Xiamen SPRANDI (PRC)
Shanghai Digi (PRC)


ANKO Sports
(BVI)
50%
ANKING Sports
(BVI)
Kolon Sport Holdings
(HK)
Kingkow Investment
(HK)
SKC Group
(HK)
Kolon Sport IP
(Singapore)
Kingkow IP
(Singapore)
Kingkow Macao
(Macao)
Profit Dynamic
(HK)
Billion Treasure International
(HK)
Esteemed Elite Holdings
(BVI)
SKC US
(US)
Kolon Sport China
(PRC)
FNC Company
(PRC)
Kingkow China
(PRC)
Yunli Trading
(PRC)
Shanghai Qunlong
(PRC)
Xiamen Kingkow
(PRC)
Kingkow Style
(PRC)

2019 RECOGNITIONS AND AWARDS

Chairman & CEO, Mr Ding Shizhong:

Was awarded the
"Best IR by Chairman/CEO (Large Cap)"
by Hong Kong Investor Relations Association

Executive Director & CFO, Mr. Lai Shixian:

Was awarded the **"Best IR by CFO ("Large Cap)"**
by Hong Kong Investor Relations Association

Was awarded the **"Best CFO"** in Golden Hong Kong Stocks Awards 2019 co-organized by Zhitongcaijing.com (智通財經) and www.10JQ-KA.com.cn (同花順財經)

2018 Annual Report "Consumer Centric, Value for Price":

Was awarded **Gold winner** in the **"Non-Traditional Annual Report: Sportswear"** category and the **"Cover Photo/Design: Sportswear"** category in the "2019 International ARC Awards 2019"

Was awarded **Bronzer Winner** in the "2019 Galaxy Awards" in the **"Annual Report – Print Sporting Goods"** category

ANTA Sports:

Was awarded the
"2019 Golden Stock Award" in the Golden Hong Kong Stocks Awards 2019 co-organized by Zhitongcaijing.com (智通財經) and www.10JQKA.com.cn (同花順財經)

Selected as **"50 Companies to Watch in 2020"** by Bloomberg Intelligence

Was recognized by Fortune Magazine and Aon Hewitt China as one of the **"2019 Best 50 Chinese Board of Directors"**

ANTA Brand:

Ranked 21st in Brand Finance's **"2019 Global Most Valuable Clothing Brands"**

Was selected as one of the **"2019 BrandZ™ Top 100 Most Valuable Chinese Brands"** list published by WPP and Millward Brown, ANTA Sports is the only sportswear industry brand on the list and ranked in first place under the apparel category

Our Investor Relations Department:

Was awarded the
"Best IR Company ("Large Cap)"
by Hong Kong Investor Relations Association

Was awarded the
"Best IR Team ("Large Cap)"
by Hong Kong Investor Relations Association

Was awarded the
"Certificate for Excellence in Investor Relations"
by IR Magazine Awards Greater China 2019

Revenue

+40.8%

to RMB

33.93

billion

Klay Thompson,
A shooting guard for the Golden State Warriors in the NBA

FINANCIAL OVERVIEW

Year ended 31 December	2019	2018	Change
	(RMB million)	(RMB million)	(%)
Revenue	**33,927.8**	24,100.0	↑ 40.8
ANTA	**17,449.8**	14,326.8	↑ 21.8
FILA	**14,770.1**	8,491.7	↑ 73.9
Gross profit	**18,659.0**	12,687.3	↑ 47.1
ANTA	**7,200.6**	6,022.5	↑ 19.6
FILA	**10,402.5**	5,931.8	↑ 75.4
Profit from operations	**8,694.7**	5,699.8	↑ 52.5
ANTA	**4,676.2**	3,706.2	↑ 26.2
FILA	**4,022.8**	2,149.8	↑ 87.1
Profit for the year			
– without the effect of share of loss of a joint venture	**6,257.2**	4,234.2	↑ 47.8
– with the effect of share of loss of a joint venture	**5,624.1**	4,234.2	↑ 32.8
Profit attributable to equity shareholders	**5,344.1**	4,102.9	↑ 30.3
Free cash inflow	**6,433.0**	3,448.9	↑ 86.5
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
– Basic	**198.70**	152.82	↑ 30.0
– Diluted	**198.51**	152.69	↑ 30.0
Shareholders' equity per share	**743.23**	587.63	↑ 26.5
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Interim	**31**	50	
– Final	**36**	28	
	67	78	↓ 14.1
	(%)	(%)	(% point)
Gross profit margin	**55.0**	52.6	↑ 2.4
ANTA	**41.3**	42.0	↓ 0.7
FILA	**70.4**	69.9	↑ 0.5
Operating profit margin	**25.6**	23.7	↑ 1.9
ANTA	**26.8**	25.9	↑ 0.9
FILA	**27.2**	25.3	↑ 1.9
Net profit margin			
– without the effect of share of loss of a joint venture	**18.4**	17.6	↑ 0.8
– with the effect of share of loss of a joint venture	**16.6**	17.6	↓ 1.0
Margin of profit attributable to equity shareholders	**15.8**	17.0	↓ 1.2
Effective tax rate[1]	**27.6**	26.6	↑ 1.0
Advertising and promotional expenses ratio (as a percentage of revenue)	**10.6**	12.1	↓ 1.5
Staff costs ratio (as a percentage of revenue)	**11.7**	10.9	↑ 0.8
R&D costs ratio (as a percentage of revenue)	**2.3**	2.5	↓ 0.2

As at 31 December	2019	2018	Changes
	(%)	(%)	(% point)
Gearing ratio[2]	**22.3**	7.3	↑ 15.0
Return on average total shareholders' equity[3]	**29.8**	27.8	↑ 2.0
Return on average total assets[4]	**16.3**	18.9	↓ 2.6
Average total shareholders' equity to average total assets	**54.7**	67.9	↓ 13.2
	(days)	(days)	(days)
Average inventory turnover days[5]	**87**	81	↑ 6
Average trade receivables turnover days[6]	**34**	35	↓ 1
Average trade payables turnover days[7]	**57**	52	↑ 5

Cautionary Statement Regarding Forward-Looking Statements

This *Annual Report 2019* 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".

Notes:

(1) Effective tax rate does not include the effect of share of loss of a joint venture.
(2) Gearing ratio is equal to the sum of bank loans and bills payable (financing in nature) divided by the total assets at the end of the relevant year.
(3) Return on average total shareholders' equity is equal to the profit attributable to equity shareholders divided by the average balance of total shareholders' equity.
(4) Return on average total assets is equal to the profit attributable to equity shareholders divided by the average balance of total assets.
(5) 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.
(6) Average trade receivables turnover days is equal to the average balance of trade receivables divided by the revenue and multiplied by the number of days in the relevant year.
(7) 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

FINANCIAL PERFORMANCE

Revenue
increased by 40.8% to
RMB 33.93 billion

Gross profit margin
increased by 2.4% point to
55.0%

Profit attributable to equity shareholders
increased by 30.3% to
RMB 5.34 billion

Basic earnings per share
increased by 30.0% to
RMB 198.70 cents

Payout of the
profit attributable to equity shareholders
30.7%

OPERATIONAL PERFORMANCE

Number of ANTA stores
(including ANTA KIDS standalone stores) in Mainland China
stood at
10,516

Number of FILA stores
(including FILA KIDS and FILA FUSION standalone stores) in Mainland China, Hong Kong, Macao and Singapore stood at
1,951

Number of
DESCENTE stores
in Mainland China
stood at
136

Number of KOLON SPORT stores
in Mainland China and Hong Kong
stood at
185

Number of KINGKOW stores in Mainland China,
Hong Kong and Macao
stood at
41

Number of SPRANDI
stores in Mainland China
stood at
114

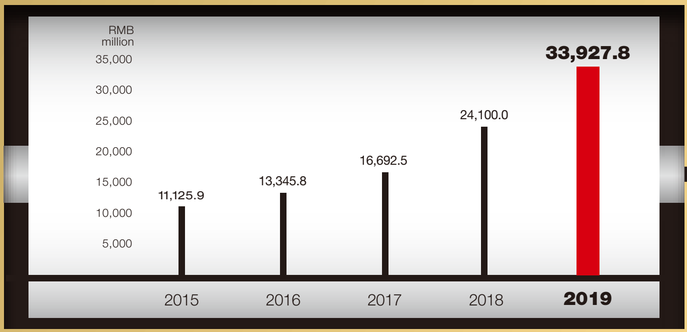
FIVE-YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**33,927,845**	24,100,039	16,692,492	13,345,761	11,125,941
Gross profit	**18,658,953**	12,687,278	8,241,147	6,459,042	5,185,420
Profit from operations	**8,694,701**	5,699,785	3,988,719	3,203,372	2,696,682
Profit attributable to equity shareholders	**5,344,148**	4,102,855	3,087,843	2,385,546	2,040,573
Non-current assets	**17,897,581**	5,089,847	3,632,275	2,770,425	2,345,257
Current assets	**23,320,814**	19,284,380	15,441,941	11,453,116	10,156,699
Total assets	**41,218,395**	24,374,227	19,074,216	14,223,541	12,501,956
Current liabilities	**12,411,542**	7,547,873	4,498,352	4,272,505	3,563,262
Net current assets	**10,909,272**	11,736,507	10,943,589	7,180,611	6,593,437
Total assets less current liabilities	**28,806,853**	16,826,354	14,575,864	9,951,036	8,938,694
Non-current liabilities	**7,745,743**	306,493	215,330	54,705	124,451
Total liabilities	**20,157,285**	7,854,366	4,713,682	4,327,210	3,687,713
Non-controlling interests	**979,434**	742,531	654,129	347,703	234,577
Shareholders' equity	**20,081,676**	15,777,330	13,706,405	9,548,628	8,579,666
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Basic earnings per share	**198.70**	152.82	117.01	95.36	81.66
Diluted earnings per share	**198.51**	152.69	116.84	95.16	81.48
Shareholders' equity per share	**743.23**	587.63	510.56	381.57	343.03
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per share					
– Interim	**31**	50	41	34	30
– Final	**36**	28	41	34	30
– Special	**–**	–	16	8	8
Total	**67**	78	98	76	68
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	**55.0**	52.6	49.4	48.4	46.6
Operating profit margin	**25.6**	23.7	23.9	24.0	24.2
Margin of profit attributable to equity shareholders	**15.8**	17.0	18.5	17.9	18.3
Effective tax rate[(1)]	**27.6**	26.6	26.7	26.2	26.2
Advertising and promotional expenses ratio (as a percentage of revenue)	**10.6**	12.1	10.6	11.4	11.5
Staff costs ratio (as a percentage of revenue)	**11.7**	10.9	12.0	11.3	11.2
R&D costs ratio (as a percentage of revenue)	**2.3**	2.5	2.9	2.6	2.8
Gearing ratio[(1)]	**22.3**	7.3	0.8	10.8	11.4
Return on average total shareholders' equity[(1)]	**29.8**	27.8	26.6	26.3	24.9
Return on average total assets[(1)]	**16.3**	18.9	18.5	17.9	17.1
Average total shareholders' equity to average total assets	**54.7**	67.9	69.8	67.8	68.6
	(days)	(days)	(days)	(days)	(days)
Average inventory turnover days[(1)]	**87**	81	75	61	58
Average trade receivables turnover days[(1)]	**34**	35	41	39	33
Average trade payables turnover days[(1)]	**57**	52	51	44	41

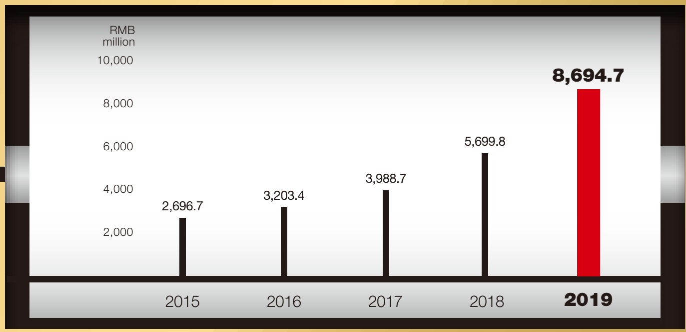
Notes:

(1) Please refer to notes on page 10 of the annual report for the definitions of effective tax rate, gearing ratio, return on average total shareholders' equity, return on average total assets, average inventory turnover days, average trade receivables turnover days and average trade payables turnover days.

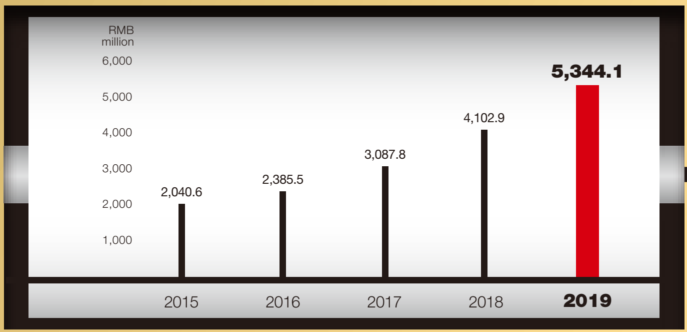
REVENUE



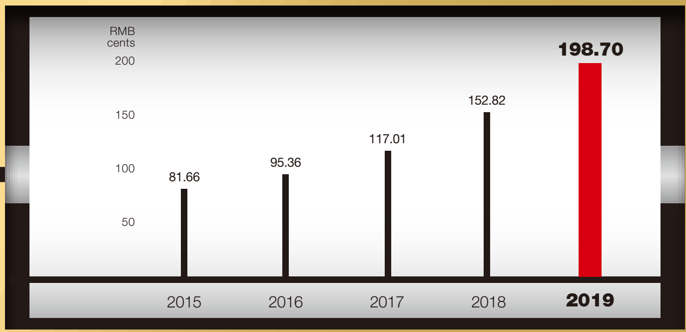
PROFIT FROM OPERATIONS



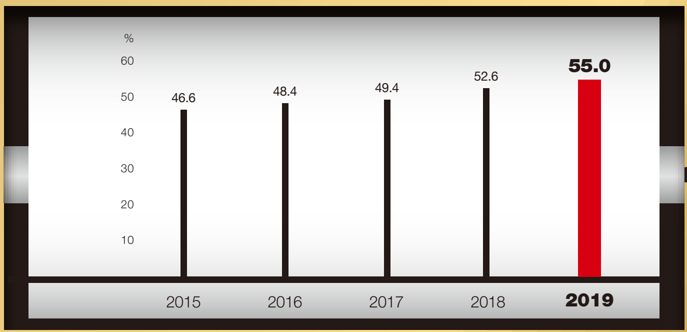
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



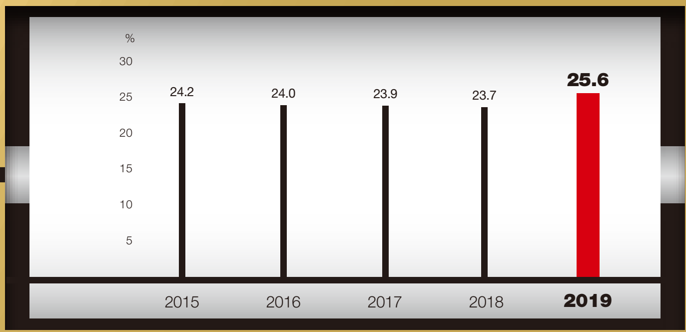
BASIC EARNINGS PER SHARE



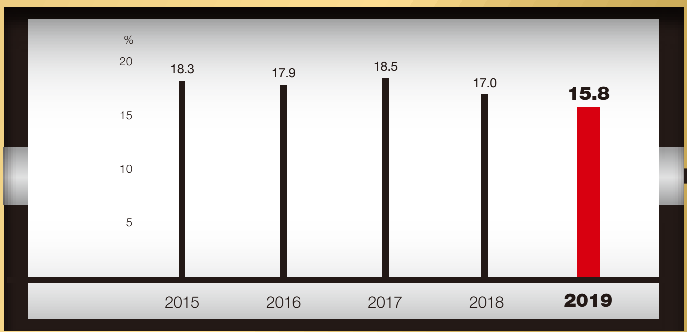
GROSS PROFIT MARGIN



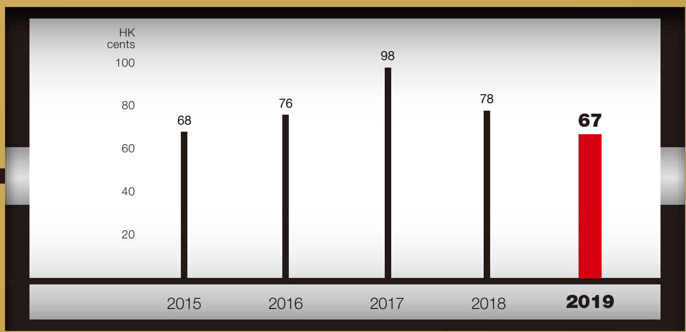
OPERATING PROFIT MARGIN



MARGIN OF PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



TOTAL DIVIDENDS PER ORDINARY SHARE



(2) *As a result of the adoption of IFRS/HKFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognise right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.*

MILESTONE OF 2019

January

ANTA Sports Entered "Year of Synergy and Value"

During the year, ANTA Sports kicked off the "Year of Synergy and Value", establishing its main strategy of "Synergistic Incubation to Achieve Value Retailing and Internationalization". We carried out internal reorganization by forming three branding categories and three synergistic platforms for the integration of resources, in order to gain the strongest synergistic effects and spur on the Group's development in all aspects.

ANTA Launched Brand New "Hydrogen Running Shoes" and Crossover Products

ANTA launched its brand new Hydrogen Running Shoes, the first running shoes that have a lightweight selling point. Based on FLASHLITE, which was developed by ANTA, its unique materials enhance the rigidity and sturdiness of running shoes, offering lightweight experience to runners. ANTA also promoted multiple crossover shoes and apparel with "Happiness" as their selling points. The crossover products were welcomed by the market, especially by young consumers.

March

ANTA Sports and Other Investors Completed to Acquire Amer Sports

ANTA Sports, together with other investors, set up an investor consortium to acquire Amer Sports and form its new board, which was another step in our path towards globalization. The abundant brand portfolio of Amer Sports will create synergy within the Group. We will introduce sportswear products with better performance, experience, and satisfaction to consumers, sports enthusiast, as well as professionals around the world.

May

ANTA Launched Brand New Ninth Generation Stores

Brand new ninth generation stores, that have upgraded brand image, store image, and consumer experience have been opened in Chongqing and Shanghai since May. With "Digitalization", "Youth", and "Professionalism" as the core concepts, the new stores significantly improved consumers' shopping experience and further enhanced ANTA's value in technology, giving its brand image a boost.

June

FILA FUSION Signed with Japanese Model Kōki,

FILA FUSION signed Japanese model Kōki, as FILA FUSION Brand Ambassador. The brand caters to the market segment of young people between 15 to 25 years of age, with a focus on a positive and fashionable sports style.

ANTA Sports Selected as Constituent Stock of Hang Seng China Enterprises Index

With stable and healthy business performance, as well as solid reputation accumulated from Hong Kong and international capital markets, ANTA Sports was selected as a constituent stock of the Hang Seng China Enterprises Index. This reflected the recognition of our business by the capital market, alongside their ample confidence in the Company's future development.

July

ANTA Launched KT4 "Repay" Basketball Shoes and Kicked off Sales

KT4 "Repay" basketball shoes made its first appearance in Auckland, the US. The shoes were sold in 66 ANTA stores located in over 30 provinces in Mainland China simultaneously, which were snapped up by local basketball fans.

ANTA Sports Joined Better Cotton Initiative

ANTA Sports officially became a member of the Better Cotton Initiative, an action in line with its sustainable development philosophy. The Company is the first sportswear company in Mainland China joining this organization. We will dedicate ourselves to motivating sustainable development of the industry, and build a healthier, greener textile ecosystem with our upstream and downstream partners.

August

ANTA Four International Basketball Endorsers' China Tours

Four renowned professional basketball superstars and endorsers of ANTA – Gordon Hayward, Klay Thompson, Rajon Rondo and Luis Scola – kicked off their China tours in 2019. They visited multiple cities and met with basketball fans, continuing to boost the basketball trend with ANTA.

September

ANTA Launched Eco-friendly A-AWAKE ENERGY series "Train and Recycle"

ANTA launched its A-AWAKE ENERGY series "Train and Recycle", an eco-friendly series of sportswear product, which was able to surmount a number of technical obstacles through the support of research and development. On average, every 11 discarded 550ml plastic bottles can be converted into enough RPET fabric to produce one piece of A-AWAKE ENERGY sportswear, providing a new solution for recycling plastic waste and contributing to environmental protection.

ANTA Kids Debuted at New York Fashion Week

ANTA KIDS became the first kids' sportswear brand from China to participate in New York Fashion Week under the theme of "Playmaker", reflecting the brand's belief of "Grow Up with Fun". The brand headlined its new Techwear design with collections combining elements inspired by the Olympics, and launched three new collections, in order to lead the development trend of sportswear for kids, with an international vision.

October

ANTA Sports Became IOC's Official Sportswear Uniform Supplier

ANTA is supplying clothing to the International Olympic Committee (IOC) Members and Staff until the end of 2022. Casual uniforms, including apparel, shoes and accessories will be provided to the IOC for the Olympic Games in Tokyo in 2020, Beijing in 2022, the Youth Olympic Games in Lausanne in 2020 and Dakar in 2022. ANTA has supported a number of Olympic Games in the past. ANTA became the Official Sports Apparel Partner for the Organizing Committee of the 2022 Olympic and Paralympic Winter Games ("Beijing 2022") on September 28, 2017.

November

The Global Retail Headquarter of ANTA Sports has Landed in Shanghai

Shanghai ANTA Center, the global retail headquarters of ANTA Sports, held its cornerstone laying ceremony, marking an important step in our globalization strategy. Shanghai ANTA Center will serve as ANTA Group's global management bases and international platform. The Center is expected to be an important platform for global integration of innovation, global talent development, and linkage of global resources.

Kōki,
A Japanese model

Gross Profit
+47.1%
to RMB
18.66
billion

Gross
Profit
Margin
55.0%

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2019.

REMARKABLE RESULTS FROM HIGH-STANDARD BENCHMARKING, IMPLEMENT "SYNERGY" TO CREATE "VALUE"

In 2019, the macro-economic environment was filled with uncertainties. The market encountered various issues, including the US-China trade dispute, growing risks in geopolitics, financial deleveraging, entering the rising interest rate cycle, and so on, which had a certain level of impact on the market. However, the fundamentals of the sportswear industry remain robust, and the top brands enjoyed better brand awareness and operational efficiency due to its market-leading status. As such, China's sportswear industry was able to demonstrate its strong defensiveness amid market volatility. Meanwhile, healthy lifestyle continues to have increasing popularity amongst the general public, reflecting the solid foundation of the industry. Notwithstanding the challenges brought by the novel coronavirus disease (COVID-19) in 2019, we are confident that ANTA Sports, as a global enterprise and an industrial leader, will be able to mitigate and manage the risks through the multi-brand strategies which has been successfully implemented for years. Moreover, we have maintained communications with our consumers through the Internet, demonstrating that we never stop striving even when facing challenges from the Pandemic. We continue to uphold the spirit of "Never Surrender, Never Fear" in order to advance forward even amid difficulties.

During the year, we implemented reforms within our organization in order to effectively improve managerial efficiency and promote synergy and incubation. Following the latest developments in the sportswear industry, customer demand is no longer easily satisfied by traditional categorizations of business segments. With ANTA Sports' insights on the market, during the year, we completed the reforms of the Company's business structure by establishing three business groups: performance sports, fashion sports, and outdoor sports. The new business structure represents a more appropriate categorization of business segments and brands, and helps to accelerate synergy and incubation processes, value retailing, as well as globalization. At the same time, we keep assessing performance and allocating resources from a brand perspective.

In addition, we proactively increased our focus towards winter sports-related products. Meanwhile, ANTA also became the Official Sports Apparel Partner for the Organizing Committee of the 2022 Olympic and Paralympic Winter Games. We also launched a winter sports product line in November, with the full product line expected to be completed as soon as possible.

As a leading enterprise in China's sportswear industry, during the year, ANTA Sports saw great accomplishments in its strategic planning towards a "Year of Synergy and Value", and was able to achieve another year of astonishing results. Both online and offline business segments achieved different levels of progress while different other brands of the Company also recorded impressive results in terms of sales performance. Our revenue increased 40.8% to RMB33.93 billion (2018: RMB24.10 billion), while profit from operations increased 52.5% to RMB8.69 billion (2018: RMB5.70 billion). Profit attributable to equity shareholders increased 30.3% to RMB5.34 billion (2018: RMB4.10 billion). Not only did all three financial indicators hit record highs, but this year was also the sixth consecutive year of double-digit growth.

RE-CONSTRUCTION OF BUSINESS THOUGHTS, HIGH QUALITY GROWTH

In 2019, while facing the changes in the industry, the concept of "Re-Construction" became extremely important. Facing such a market environment, all elements of the industry were required to undergo "Re-construction", including customers, stores, consumer preferences, and products. We re-formed our strategy accordingly, boldly making breakthroughs against conventional ways of thinking. The Company made "Re-construction" adjustments to its business strategies and tactics, mindsets, and business logic.

Among these, "Understanding Growth" is a key aspect of the "Re-construction" business philosophy. We focus on high-quality growth in order to build up our capacity across different market cycles. We place importance not only on our sales growth, but also on the quality of development and operation. We attribute our core competitiveness to our nurturing of "Brand + Retail", benchmarking the Company's business capacity with both advanced enterprises in China and around the world in areas such as retailing capacity, digital capacity, and supply chain capacity, among others. By doing so, we will be able to achieve progress and see improvements in our operational platforms.

At the same time, "Brand + Value" is also a key element of the "Re-Construction" philosophy. As consumer preferences reflect the quality of a brand, we made detailed plans for each of the brands, striving for a dual increase in both sales performance and brand preference. We are dedicated to being "Consumer-Centric" by exploring brand value and introducing a compelling brand story to the consumers, driving sustainable growth of the business. Through "Understanding the Business" and "Understanding the Brand", we strengthened the position of our brands in our consumers' hearts.

IMPLEMENT GLOBALIZATON PLAN AND COMPLETE MULTI-BRAND SYNERGISTIC PLATFORM

After 70 years of development, the People's Republic of China has made significant achievements by powering its way through relentless waves of difficulties and challenges. The rise in the comprehensive national power of China can be likened to a bugle call that rallies Chinese enterprises forward, including ANTA Sports. Our vision is to become a world-class multi-brand sportswear group. Therefore, with China as our core market, we will continue to promote globalization and expand into the international market. As the traditional Chinese proverb says: "It takes a good blacksmith to make steel". Likewise, with unprecedented concentration and responsibility, we will strengthen our brands and make it capable of competing with international enterprises. We will also continue to improve our multi-brand synergistic platform, allowing us to open up new spaces in the international market in terms of sales channels and international brand operations.

During the year, based on our analysis and judgement of the market situation and review of the trends, as well as the status of the business, we made the most important decision since the establishment of our business with confidence and strength. Together with other investors, we set up an investor consortium and completed the largest overseas acquisition in the history of the Chinese apparel industry and the Chinese sportswear industry: the acquisition of Amer Sports. Soon after the acquisition, a future growth plan was set by investor consortium, in order to promote value recognition and cultural integration. These methods aligned the Company's development goals together and helped it to take an important step towards globalization.

To live out a dream and pursue it to the fullest. In order for ANTA Sports to become a truly 'Great Brand', every colleague must dedicate themselves from whatever position they are in, to understand and implement the philosophy of "Epiphany", "Awareness" and "Awakening", and integrate the strategy of "Synergistic Incubation to Achieve Value Retailing and globalization". By providing more professional, high-value and international products to customers, the Company can then transform from "an affordable brand" to "a desirable brand".

On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for their support, and to express our gratitude to the staff who have contributed to the Company. Going forward, we will strive to ensure that our supply chain partners, brand partners, distributors and franchisees will continue to grow steadily while creating greater value for our shareholders.

Ding Shizhong
Chairman
Hong Kong, 24 March 2020

EXECUTIVE DIRECTORS

Mr. Ding Shizhong
Chairman & CEO

Mr. Ding Shijia
Deputy Chairman

Mr. Lai Shixian
Executive Director & CFO

Mr. James Zheng
Executive Director, Group President & CEO of the Outdoor Sports Brand Group

Mr. Wu Yonghua
Executive Director & CEO of the Performance Sports Brand Group


ITALIAN HERITAGE

Huang Jingyu
A renowned Chinese actor

Operating Profit
+52.5%
to RMB
8.69
billion

Operating Profit Margin
25.6%

MARKET REVIEW

1.1 Uncertainties in Global and China Economy, Sportswear Industry was still Resilience

In 2019, the global economy and capital markets were continually affected by the trade dispute between China and the US, as well as the Brexit deadlock. Meanwhile, as China headed into its fourth industrial revolution, industries with innovative technologies were able to capture development opportunities. Despite the uncertainties in the global economy, foreign capital maintained steady inflows trends into Chinese equity and bond markets with sufficient capital support. Investors sought for a balance between stable growth and risk precaution.

During the year, China strived to carry out various kinds of fiscal and monetary quantitative easing policies, with a focus on boosting the domestic economy. However, according to the National Bureau of Statistics of China, the country's GDP growth was 6.1% in 2019, the biggest slowdown in recent years. The total retail sales of consumer goods reached RMB41.2 trillion up 8.0%, with a growth higher than GDP growth. The National Consumer Price Index (CPI) increased by 2.9% annually, signaling that inflation remained low.

As China gains higher standards of living, people are focusing more on healthy lifestyles and sports than ever before, which stimulates the demand for sportswear. Previously, when compared with developed countries, China lagged behind in terms of average per capita sportswear consumption. Meanwhile, with more and more people in China participating in sports and national sports policies driving the robust development of the sports industry, the market has developed tremendous growth in both product selling price and quantity produced.

Moreover, China's National Development and Reform Commission and General Administration of Sport issued an "Action Plan to Stimulate Sports Consumption (2019-2020)", with the aim to have the total size of sports consumption market in the country reaching RMB1.5 trillion by 2020.

China has been focusing on supporting the development of consumer-oriented fitness and leisure sports, as well as promoting watersports, mountain and outdoor activities, aerosports, automobile and motorcycle sports, marathon running, cycling, fencing and other sports development. On the other hand, with the preparations for the 2022 Olympic and Paralympic Winter Games going on, winter sports are simultaneously becoming more and more popular in China. The nation hopes to reach the goal of having 300 million people participating in winter sports by then. This background sets up a bright future for the growth of the sportswear industry, as it is one of the key nodes in the sports industry value chain. Therefore, potential future development cannot be underestimated.

1.2 ANTA Sports Grasps Market Development Trend

With the Chinese consumer market rapidly changing across different segments, it is necessary to allocate resources according to population distribution, distribution channels, and consumption capabilities. We executed our "Single-Focus, Multi-Brand, Omni-Channel" strategy in the Chinese market, focusing solely on the sportswear market and following market trends closely. Through our brands, we were able to see a high demand for "athletic leisure", "functionalized", "differentiated" and "premiumized" products. Therefore, we have conducted strategic adjustments in R&D, production, and distribution, in order to respond to keen demands from the market. Following that, products were allocated appropriately through self-owned and other distribution channels through both online and offline channels, leading us to garner huge success in sales, financial figures and brand reputation.

During the year, our revenue and profitability favorable results, not only proving the success of our "Single-Focus, Multi-Brand, Omni-Channel" strategy, but also showcasing our great competitiveness, financial management capability, corporate governance capability, and achievements in investor relations. Riding on our stable and healthy business and financial performance, as well as remarkable reputation in Hong Kong and international financial markets, we were selected as a Constituent Stock in the Hang Seng China Enterprises Index. This reflected the recognition of our business by capital markets alongside their ample confidence in the Company's future development. Moreover, ANTA Sports was included in the list of "2019 BrandZ™ Top 100 Most Valuable Chinese Brands" list, demonstrating strong brand appeal, as well as admiration and recognition from the market.

In terms of brand marketing, we are honored to have cooperated with many endorsers, further raising ANTA's brand reputation and stimulating relevant sales. Meanwhile, under the execution of our "Single-Focus, Multi-Brand, Omni-Channel" strategy, ANTA KIDS, FILA, FILA KIDS, FILA FUSION, DESCENTE, KOLON SPORT, SPRANDI and KINGKOW, etc., also recorded varying levels of growth, marking steady progress in our brand strategy.

1.3 Kick-off of "Synergistic Incubation to Achieve Value Retailing and Internationalization" Operation Model

During the year, we successfully upgraded our "Single-Focus, Multi-Brand, and Omni-Channel" strategy and executed our operation model of "Synergistic Incubation to Achieve Value Retailing and Internationalization". Amid the challenging environment, we enhanced our distribution channels and quality control as well as strengthened our brand competitiveness, in order to let our brands penetrate different markets in China and take a lead in China's sportswear industry.

Multi-brand continues to deliver high efficiency and brings to synergistic effects for each of the brand, laying a crucial role in our new operational structure. Our brands have been structured into three business groups: performance sports, fashion sports, and outdoor sports. Apart from ANTA, FILA, DESCENTE, SPRANDI, KINGKOW and KOLON SPORT etc., we, together with other members of the investor consortium completed the acquisition of Amer Sports during the year, a Finnish sportswear group, enhancing our brand capabilities and operations to solidify our position in the industry. Going forward, we will persist in the operation model of "Synergistic Incubation to Achieve Value Retailing and Internationalization" to officially step towards internationalization and the world officially.

Who We Are?

BRAND-DRIVEN BUSINESS MODEL:
A multi-brand company singly focusing on sportswear products

What Are Our Target Markets?

HIGH-END TO MASS MARKET

ANTA
Functional sportswear for running, cross-training, and basketball etc.

ANTA KIDS
Kid's sportswear

FILA KIDS
Kid's fashion sports clothing

DESCENTE
Functional sportswear for skiing, cross-training and running

KOLON SPORT
Outdoor sportswear products

FILA
Fashion sports clothing

FILA FUSION
Youth's trendy clothing

SPRANDI
Stylish sneakers with comfortable technology

KINGKOW
Kid's fashion products

What Retail Channels Do We Cover?

- Online Stores
- Street Stores
- Shop-in-shops (Malls and Department Stores)
- Outlets

What Do We Do?

SUPPLY CHAIN MANAGEMENT

- In-house / Outsource Production
- Raw Material Procurement / Fabric Sourcing

BRAND MANAGEMENT

- Sponsorship / Endorsement
- Advertising / Marketing
- Store Image / Product Display

PRODUCT MANAGEMENT

- R&D / Innovation
- Design
- Quality Control

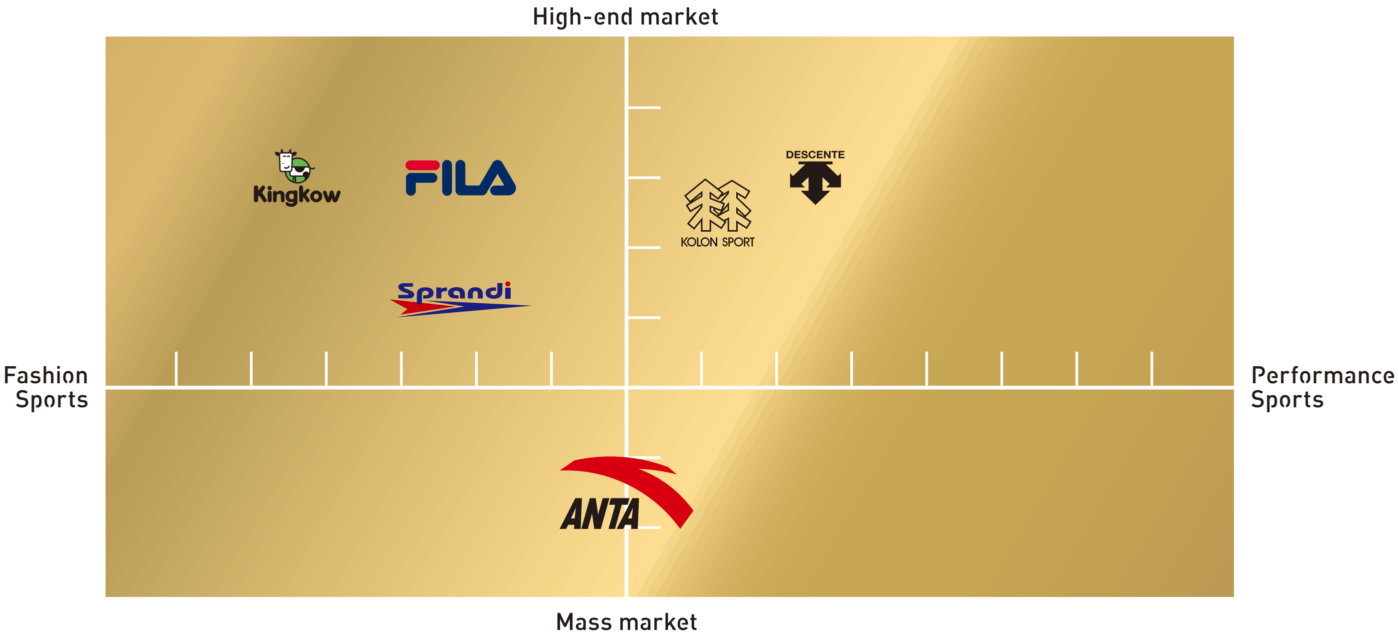
DISTRIBUTION NETWORK MANAGEMENT

- Distributorship / Direct-to-Consumer
- Monitoring of Store Operations via IT System
- E-commerce
- Logistics
- Big Data / Retail Analytics
- Consumer Experience

Unique Business Model -
Full Coverage of Consumers through Multiple Brands

Full Coverage

Catering to consumers' demands for sportswear from different income groups through multiple brands



BUSINESS REVIEW

2. Brand Management

2.1 ANTA

As a leading sportswear brand in China, ANTA has always been committed to providing the mass market with functional, value-for-money sportswear products across a diverse range of sports categories, from popular sports to professional and niche sports, including running, cross-training, basketball, boxing and others. Most of ANTA's stores are operated by distributors and franchisees.

During the year, as the official sportswear partner of the COC, ANTA continued to support Chinese athletes. We sponsored 27 Chinese national teams in winter sports, boxing, taekwondo, gymnastics, weightlifting, wrestling, judo, surfing, water polo and golf, among other sports. ANTA is supplying clothing to the International Olympic Committee (IOC) Members and Staff until the end of 2022. Casual uniforms, including apparel, shoes and accessories will be provided to the IOC for the Olympic Games in Tokyo in 2020, Beijing in 2022, the Youth Olympic Games in Lausanne in 2020 and Dakar in 2022. ANTA has supported a number of Olympic Games in the past. ANTA became the Official Sports Apparel Partner for the Organizing Committee of the 2022 Olympic and Paralympic Winter Games ("Beijing 2022") on September 28, 2017. Going forward, ANTA will strengthen the integration between customers and the Olympics in terms of products, culture and charity, streamlining the connection between the value of a Chinese brand and the spirit of the Olympics.

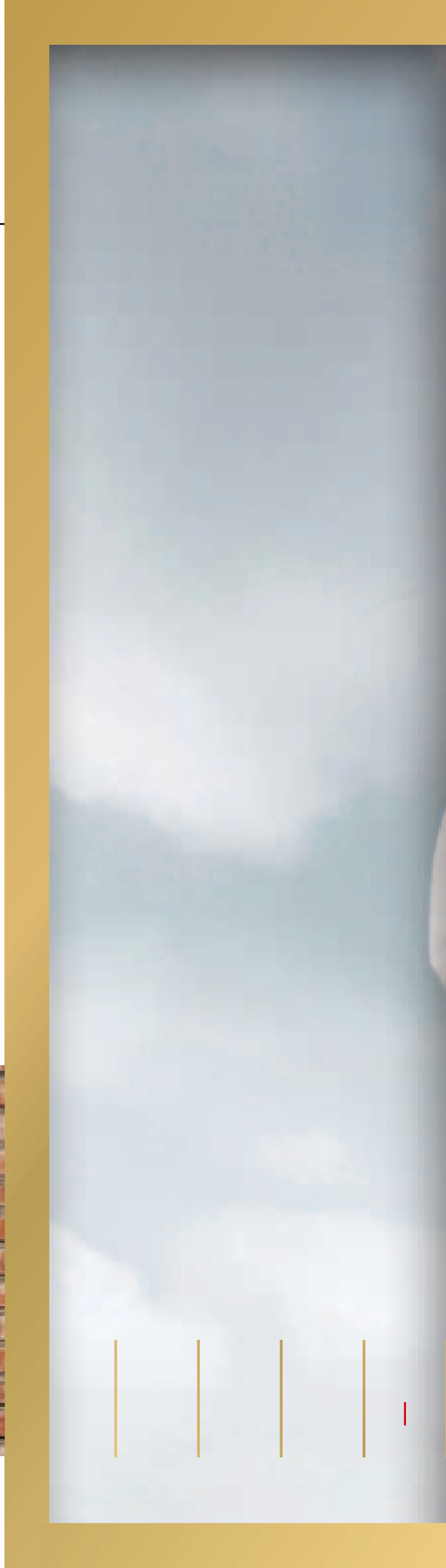
During the year, ANTA continued to cooperate with a number of professional basketball players, including Klay Thompson, Gordon Hayward, Rajon Rondo and Luis Scola, to become ANTA's basketball endorsers. We also launched a series of hugely popular products during the year, including the KT5 PRO STARS, the new addition of Klay Thompson's KT series. With the new A-WEB 3.0 technology that produces vamp with reflective 3M® material, KT5 PRO STARS uses double carbon plates, which complement its midsole with A-Flashfoam tech, bringing the best rebound cushioning experience for players. We also partnered with Gordon Hayward, to kickstart ANTA's basketball promotion events. Gordon Hayward also met and interacted with fans in different cities in China, further boosting ANTA's reputation in the basketball product market.

During the year, ANTA launched its brand-new "Hydrogen Running Shoes". It is ANTA's first running shoes product with light weight as its selling point. ANTA also integrated traditional Chinese brushwork into its footwear. ANTA also debuted its Challenge202/2.0 running shoes in Berlin, Germany. In addition, when kicking off the 1,000 day countdown to the 2022 Olympic and Paralympic Winter Games, ANTA collaborated with the Palace Museum's "Beijing Culture Creativity" to launch its "ANTA X Winter Olympic Games" products. The series combined the classic colors of the Palace Museum with ANTA's classic footwear and apparel, transforming history and tradition into youth and vitality, in order to attract attention from online and offline consumers.

In terms of crossover products, ANTA took consumer preferences fully into account as it continued to drive sales through crossover-integrated marketing. To celebrate the 133rd birthday of Coca Cola, ANTA partnered with Coca Cola to launch several collaborative footwear and apparel products, along with other crossover products including NASA, Marvel, Dragon Ball Super, OPENING CEREMONY and STASH etc. The products were sold on ANTA Tmall's flagship stores and distributors' offline stores, and received an overwhelming responses.

In July, ANTA Sports officially became a member of the Better Cotton Initiative, in line with its sustainable development philosophy. ANTA Sports is the first sportswear company in China to join the Better Cotton Initiative. In September, ANTA also announced the launch of its A-AWAKE ENERGY series "Train and Recycle", which is an eco-friendly sportswear product series. With the aid of energy-efficient environmental technology, discarded plastic bottles can be used as raw materials and be turned into RPET fabrics suitable for the production of sportswear. The ANTA team was able to surmount a number of technical obstacles through the support of research and development from the Company and supplier partners to produce sportswear through energy-efficient technology with functionalities on par with sportswear made with traditional materials, while meeting the safety standards of eco-textiles and contributing more towards protecting the environment.

During the year, ANTA started to promote its ninth-generation stores in Chongqing and Shanghai. The new Shanghai ANTA ninth-generation store spans 2,000 square meters. ANTA upgraded the stores in terms of brand image, store appearance and consumer experience. “Digitalization”, “Youth” and “Professionalism” became the core concepts that powered ANTA’s new generation stores. The stores adopted a self-service cashier system as well as “Cloud Shelf” and “Digitalization” functions in their setup for consumers, significantly enhancing consumers’ shopping experience and bolstering ANTA’s technological advantages. Consumers are able to experience all the previous Klay Thompson basketball series in the stores, including tailor-made apparel, and are able to enjoy a better interactive experience.



Guan Xiaotong
A renowned Chinese actress

2.2 ANTA KIDS

ANTA KIDS has been tapping into the kids' sportswear market in China since 2008 by providing sportswear products for children aged 0 to 14, a market that continues to show potential for high growth. Most of the ANTA KIDS stores are operated by distributors and franchisees. Following the Chinese government's easing of the Family Planning Policy, the kidswear market is widely expected to benefit from that, resulting in an expansion in market scale. ANTA KIDS was the first domestic sportswear brand to enter the market and enjoys the advantage of being an "Early-entry Trailblazer". The brand consistently promotes its philosophy of "Grow Up with Fun". In recent years, ANTA KIDS has been aiming to incorporate more of a "fun" elements in the kids' growing journey through an integrated experience. In doing so, ANTA KIDS has successfully enhanced the desirability of its products among consumers and built professional sportswear products. It has secured a dominant position in the market, and hopes to seize even bigger market opportunities in the future.

The products of ANTA KIDS were technology-oriented. In addition to running, soccer, basketball, outdoor and cross-training product series, ANTA KIDS has been enriching its product portfolio with the launch of crossover products with different cartoon characters. The cooperation with Marvel and Frozen series have been welcomed and acclaimed by the general public.

In September, ANTA KIDS officially debuted in the 2020 New York Fashion Week under the theme “Playmaker”, becoming the first Chinese kidswear brand landing at New York Fashion Week. Inspired by the Olympics podium, the stage uses innovative and interactive technology, enabling models to showcase ANTA KIDS’s products to perfection. Several international supermodels wore products from the ANTA and ANTA KIDS series with their children, becoming groups of “Playmakers”. With the fashion show integrating the idea of the Olympics, ANTA KIDS also launched three collections: “Playmaker x Origins”, “Playmaker x Glory”, and “Playmaker x Energy”.

In order to continue to encourage kids to “Grow Up with Fun”, ANTA KIDS not only organized “Fun Sports Day”, but also introduced stores 4.0, with the theme of “WILD PARK”. The stores were injected with the brand’s exclusive DNA, with an aim of creating extremely “ Fun” experiences. The store was designed based on an inspiration of a skate park. The products focuses on professional and trendy sports, as well as babies and kids. There is also a brand-new ANTA KIDS 4.0 body measurement system in store, which can be used both online and offline. It provides an accurate measurement of a child’s height, weight and foot size, allowing consumers to better understand kids’ growth dynamics and choose the most appropriate shoes for them based on scientific data – offering an all-round better shopping experience for consumers.

2.3 FILA, FILA KIDS and FILA FUSION

Since acquiring FILA's business in China in 2009, we have been actively expanding the brand in Mainland China, Hong Kong, Macao and Singapore. FILA has been positioned as a high-end sports fashion brand that, together with FILA KIDS and FILA FUSION, targets high-end consumers from a wide range of age groups. Through various product collections, FILA offers consumers unique and differentiated sportswear products. FILA stores are mainly located in first- and second-tier cities in China, with a focus on expanding into shopping malls and department stores. In the future, FILA will strategically continue to open more stores and expand its store networking.

In addition to series like FILA ATHLETICS, FILA WHITE, FILA BLUE and FILA ORIGINALE, we continued to work with renowned designer, Phillip Lim, on the FILA X 3.1 Phillip Lim series, leading the trends in high-end sportswear with collaborations with actors such as Huang Jingyu. With FILA becoming a cornerstone in the Chinese market, the brand launched a range of collections during the year, expressing the brand's fashion philosophy while adapting to current trends and adding unique elements to its collections. During the year, FILA launched its new sportswear collection CLUB ALPINO, which demonstrated the concept of the snowy mountains of northern Italy and incorporated the image of climbers, encouraging the wearer to challenge the unknown and achieve breakthrough. FILA also launched its new FILA MODERN HERITAGE series, which combined the retro elements of an urban racing track to create a new and elegant Italian style. The FILA ATHLETICS YOGA collection is gradually penetrating the yoga apparel market with functional designs and high-quality fabrics. Although FILA is well-known for launching exceptional apparel, FILA's shoe collections are also outstanding. FILA's Classic Kicks, Disruptor Sandals, and FILA Jagger series continue to demonstrate the classic element of the brand, and are becoming a must-have item for fashion hipsters.

During the year, FILA became the exclusive and official sportswear partner of the China Open 2019-2021. Through this cooperation, FILA aims to help cultivate more tennis enthusiasts and players, and fully support and promote the development of China's tennis industry. For this cooperation, FILA will be launching a collection of cooperated sportswear series. FILA KIDS was also an equipment sponsor for the game. In terms of promotional activities, FILA made an appearance in the Milan fashion show in Italy in September. It also held a spring and summer 2020 fashion show in Shanghai for the FILA X 3.1 Phillip Lim collection in December, which many famous movie stars attended to show their support. The collection continues to display the classic sports elements of FILA, and will continue to be a trend-setter for high-end sports fashion.

As for FILA KIDS, the brand was launched in China in 2015, aiming to provide high-end apparel and footwear for children aged 3 to 15. Inheriting FILA's elegant and unique style, FILA KIDS has become widely popular in the kidswear market. During the year, FILA KIDS launched a collection of new kidswear, WHITE LINE, which blends winter elements with the characteristics of Italian fashion and aims to lead the winter fashion market. In order to bring in new products, FILA KIDS continued to launch crossover collections including FILA KIDS X WONNIE FRIENDS, FILA KIDS X STAPLE and FILA KIDS X CHUPA CHUPS. We believe that FILA KIDS will maintain its growth momentum and make a more significant contribution to FILA's overall sales.

FILA FUSION established its own standalone stores in 2017, with famous Japanese model Kōki, becoming FILA FUSION Brand Ambassador, marking its proper entry into the market for youths aged 15 to 25. FILA FUSION is characterized by its style that blends youth, sunshine and trendy sports, and has launched crossover collections with multiple international renowned brands based on its unique fashion sense that have been warmly received by the market. It successfully further enhanced its brand image and brand recognition in the market.

DESCENTE

2.4 DESCENTE

Starting from 2016, we have exclusively operated and engaged in the design, sale and operation of products bearing the “DESCENTE” trademark in Mainland China. DESCENTE focuses on high-end sportswear products, including skiing, cross-training, running and women's fitness, among others.

Sprandi

2.5 SPRANDI

SPRANDI is a fashion and lifestyle sportswear brand that mainly focuses on stylish sneakers with comfortable technology in China. By opening more physical stores and e-commerce platforms, SPRANDI continued to grow and penetrate the emerging middle-class market in China.

Riding on its specific comfortable technology innovation, SPRANDI launched two main product lines that embody the spirit of sports and sports fashions, creating comfortable and stylish wearing experiences. SPRANDI continued to enhance differentiated competitiveness of its product and simultaneously organized a full range of promotional activities according to different seasons, so as to strengthen brand image.

During the year, SPRANDI launched the brand-new bubble-gum high heel sneakers. Through online and offline comprehensive advertising, SPRANDI created a morale value “You Deserve Higher” for all female consumers, and encouraged all stylish girl standing higher. Meanwhile, SPRANDI cooperated with a movie “The Captain” to launch the “Captain” shoe series. Brand new elements added to the retro design sparked growing interest from customers in the products.

With three years of development and over 80 years of brand history, DESCENTE has been swift to establish its position as a functional and professional sportswear brand in China, and has been actively expanding its retail footprint in the high-end segments of the Chinese sportswear market.

During the year, DESCENTE collaborated with internationally renowned movie star Daniel Wu and famous renowned actress Xin Zhilei to promote a number of popular series, of which the ALLTERRAIN and MOTION KNIT series have been particularly favored by customers. DESCENTE and KH. TRAINING STUDIO jointly held a body building training session in Shanghai to encourage women to explore their own potential in sports. The event inspired women to convey positive energy by expressing themselves and their passion in exercising, spurring them to build a fit body shape through professional sports.

On the other hand, DESCENTE became an exclusive and official apparel sponsor of WGC-HSBC Champions, the Golf as 'Asia's Major'. DESCENTE provided official staff member with quality garment, leading to widespread brand recognition and extensive attention from high-end consumer groups.

Winter sports in China have attracted the world's attention as the country prepares to host the 2022 Olympic and Paralympic Winter Games. Under such favorable conditions, DESCENTE will take advantage of being a first-mover in the market and focus on the rapidly growing winter sports market, grasping the huge potential of the winter sports market and forging itself into one of the most successful sportswear brands in China ahead of the 2022 Olympic and Paralympic Winter Games.

2.7 KINGKOW

Founded in 1998, KINGKOW is a popular kidswear brand targeting the mid-to-high-end market that is dedicated to providing excellent design and premium quality garments to kids aged 0 to 14, and is favored by kids and parents. Our acquisition of KINGKOW in 2017 not only helped us reinforce our influence in the kidswear market, but also strengthened our multi-brand strategy in the kidswear market by creating synergy.

2.6 KOLON SPORT

Since it was founded in 1973, KOLON SPORT has been promoting the development of an outdoor lifestyle and a high-end fashion outdoor sportswear brand, and has been operating in Mainland China and Hong Kong. In order to seize opportunities in the outdoor sports market, KOLON SPORT enhanced customer experiences through product innovation and upgrade of retail image. During the year, KOLON SPORT launched the Noach Project, a series where the products are made of natural fiber, an eco-friendly hemp, not only successfully attracting the interest of consumers, but also combining eco-friendly charity with outdoor scenes, which injected the attitude of advocating nature into the heart of people. We are confident that with the rise of China's middle class and the millennial generation, KOLON SPORT will expand its footprint in the outdoor sportswear market, creating profitability with increasing sustainability.

3. Distribution Network Management

3.1 Omni-Channel Management

We believe that we can achieve sustainable development in our company through our extensive retail network. In addition, we will continue to optimize our membership system to provide members with a more personalized retail experience, to enhance our customers' trust and loyalty with our brand.

In the meantime, we have optimized our retail management capability while enhancing our retail channels in China, including street stores, shopping malls, department stores, outlet stores and e-commerce platforms. On the other hand, based on the

characteristics of different brands and stores, we have made more detailed settings with differentiated packages and prices tailored to that specific setting, and manage them all differently.

We believe that the sustainability of our distribution network and the quality of the stores, including location, size, efficiency and interior decoration, are more important than the actual number of stores. Hence, we closed smaller and less efficient stores, and replaced them with larger and more attractive stores in prime locations to improve the overall performance of our stores.

During the year, ANTA started to promote its ninth-generation stores in Chongqing and Shanghai. Among the brand-new generation of ANTA stores, ANTA upgraded the stores in terms of brand image, store image and consumer experience. ANTA's new generation stores were fueled by the core concepts of "Digitalization", "Youth" and "Professionalism". Stores 4.0 were also introduced, alongside the ANTA KIDS 4.0 brand new body measurement system, which guides consumers into selecting the most appropriate shoes for their kids based on scientific data. As at 31 December 2019, the total number of ANTA stores in China (including ANTA KIDS standalone stores) was 10,516 (end of 2018: 10,057). The total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) was 1,951 stores in Mainland China, Hong Kong, Macao and Singapore (end of 2018: 1,652) and the total number of DESCENTE stores was 136 stores in Mainland China (end of 2018: 117). The total number of KOLON SPORT stores was 185 stores in Mainland China and Hong Kong (end of 2018: 181). The total number of SPRANDI stores in Mainland China was 114 (end of 2018: 104). The total number of KINGKOW stores was 41 stores in Mainland China, Hong Kong and Macao (end of 2018: 77).

3.2 Improving Retail Management Capabilities

We are constantly considering product and brand upgrades, as well as how to continue to invest in resources that are essential to us under the increasing demands for high-quality products and sports brands from consumers.

With a consumer-centric and retail-oriented strategy, we have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the year, we continued to work closely with our retailers to optimize our retail management capability. Also, by obtaining the real-time sales performance of all our retail stores, we were able to shorten delivery times and increase flexibility in stock replenishment, making it easier to create a comprehensive plan for logistics routes and thus improving overall business performance.

Our brands can reach end-customers through a nationwide retail network. Attractive store designs and a unique shopping experience play an important role in improving retail efficiency and increasing customer traffic. Following the launch of our ninth-generation stores, retail efficiency has seen further improvements, allowing us to provide customers with a more comfortable and tailor-made shopping experience.

3.3 E-Commerce

In view of the rapidly developing trend of e-commerce, we continued to improve e-commerce business to cater to the increasing demand in the online market. We offer exclusive online products and offline seasonal products. At the same time, we continued to launch a number of crossover products in response to hot online topics, including popular IP products storylines, such as the brand new ANTA NASA series, Huang Jingyu FILA series and Daniel Wu DESCENTE products. We have strengthened the collaboration with various renowned e-commerce platforms, including Tmall, JD, Vipshop etc., to further boost the performance of our e-commerce business. During the year, we recorded remarkable growth on e-commence business and solidified our leading position in the industry.

We believe corporations should adapt swiftly and build a comprehensive e-commerce ecosystem. In order to attract more online consumers, we are striving to integrate marketing campaign with popular online channels. During the year, we launched a few hundred live streaming events, which attracted consumers to chat and buy while watching the demonstrations and displays of anchors, as well as live interaction between the anchors and fans. We optimized our e-store interface, improved product descriptions and presentations, and enhanced our product search and cataloguing functions. By standardizing all our online product, launch schedules, priorities and styles, we promoted synergy among our online and offline retailers. In addition, we provide comprehensive customer services, including secure payment systems, a well-established supply chain, fast and reliable delivery services, VIP membership, and product return guarantees. We believe that positive feedback from our customers will help us to establish good reputation.

ANTA'S FOOTWEAR TECHNOLOGY

A-FLASHFOAM

A-FLASHFOAM has both cushioning and rebound functions. FLASHFOAM is a material specifically designed to absorb shock during workout, and transform to kinetic energy to drive better exercise performance.

A-SMART

A-SMART uses diamond-shaped studs to ensure a balance of force in all directions, which can help wearers on stopping and starting fast, and maintain the speed momentum while accelerating

A-JELLY is made of environmental friendly material that provides excellent anti-compression and anti-deformation capabilities for enhancing stability

SUPER FLEXI™

SUPER FLEXI helps make the flexing joint on the fore foot feel when bending comfortable

A - TWIST

A-TWIST applies multi-direction flexing design to improve the softness of mid shoe sole and enhance comfortability

A-WEB3.0

A-Web employs today's most popular knitting technology. It also adopts breathing hole design extensively, and different parts of the vamp are of different knitting densities so as to substantially enhance breathability. More importantly, A-Web 3.0 is more breathable and provides better cooling compared to the second-generation version

SIDE BACKER™

SIDE-BACKER is a support system of the lateral side of shoe soles' fore part that reduces the risk of twisting

A-LOOOP

A-LOOP is inspired by the double layer structure of a car chassis. The hollow cylinders at the outsole periphery are as similar to tires, and provide greater comfort, springiness and energy return. The middle part of outsole along the forefoot and rearfoot is hollow which is similar to a car chassis to provide sustainability in support

A-WARM 2.0

A-WARM 2.0 technology can reduce heat loss of the wearer's foot in cold environments, providing lasting warmth and comfort

A-Wearable RB™

A-WEARABLE RB is a rugged material that offers both anti-slip and abrasion resistance

A-XFOAM

A-XFoam adopt special material to provide superior shock resistance and excellent resilience ability

A-SPRING

A-SPRING is an elastic arch structure that offers maximum torsibility and provides excellent performance in shock absorption

A-LIVEFOAM

A-LIVEFOAM is a brand new cushioning experience. The laser-cut outsole uses shock-absorbing materials specifically designed to absorb the downward pressure against the foot created by the landing

A-LIVEKNIT

A-LIVEKNIT is an innovative yarn knitting process that creates a dynamic wrap mechanism with the shoelaces that enhances the shoe upper to provide a comfortable, form-fitting and seamless experience for the wearer

A-CORE™

A-CORE is a shock absorption technology for sports shoe soles that reduces the force of impact

PRS™

PRS rotate system facilitates greater agility on the feet when spinning

TALOON™

TALOON is a claw-like clasp system providing excellent support and protection for the upper

A-FORM™

A-FORM lowers the rate of foot injury by absorbing the impact on the heel

A-LIVEZONE

A-LIVEZONE are flexible strips attaching to the outsole that wraps around the foot and adapts to foot movement. During rapid moves, this precise wrap secures fit by holding the foot in place

A-Helmet

A-Helmet uses wear-resistant material in toe cap to prevent excessive wear of the shoe toe cap and protect toes from injury

AUTO-arch™

AUTO-ARCH enables greater torsion control and improves stability

A-SILO

A-SILO is an innovative sole featuring individual nodes that provide advanced energy return performance and plantar pressure comfort. The nodes of the newly developed A-SILO 3.0 are arranged and distributed in different sizes according to the bone structure and pressure points of the feet so as to provide better support and cushioning for runners

A-FIT

A-FIT is an insole technology which can disperse plantar pressures and offer ultimate comfort thanks to its soft insole surface fitting the foot shape

DUPONT™
SORONA

Dupont™ Sorona® is an environmentally-friendly material for making vamp. It gives less energy consumption and greenhouse gas emissions compared to conventional fibers

A-COOL™

A-COOL ensures maximum breathability and comfort with its efficient ventilation design

CONTROL-5WD

CONTROL-5WD features bionic design in the outsole, which simulates the plantar structure of human and helps improve the forefoot's sports performance

A-STICKYRB

A-STICKYRB possess high tensile strength and excellent flexibility. The slip resistance ability has better traction on smooth and wet surface which suitable for outdoor activities

A-RENO

A-RENO adopts all kinds of special materials and other means in footwear so as to offer high visibility in dark environment and to enhance safety during sports exercises

A-STRATA

A-STRATA is also known as Dual-layer Support technology for running shoe soles. With additional cushioning and a supportive foam layer, the sole is approximately 15% softer than normal EVA soles and offers greater stability and a more comfortable running experience

A-GRIP

A-GRIP features unique design with claw-like particles distributed over the outsole according to stress points of foot. These particles can grip on the soft ground like nails and provide multidirectional grip function for keeping the gait stable during walking and running

A-Hardcourt RB™

A-HARDCOURT RB is a super tough rubber offering maximum durability for outdoor activities

Waterproof 3.0

With Waterproof 3.0 applied to the upper, which can grant the shoes waterproof functionality and keep them dry in an environment of light rain or dewdrops

ANTA'S APPAREL TECHNOLOGY

A-ORGANIC COTTON

Planted and produced in a natural and eco-friendly process, A-ORGANIC COTTON offers better breathability, softness and comfort, and is also allergy-free, making it suitable for human skin

SORONA

SORONA is bright in color and is fade resistant, its unique molecular structure features excellent resilience; the fiber groove section provides a natural hygroscopic and sweat releasing function

A-SEAMLESS

A-SEAMLESS allows stereoscopic cutting based on characteristics of body shape to achieve a perfect combination of sports and fashion

A-SILVER ENERGY

A-SILVER ENERGY incorporates antibacterial silver yarns and power technology that releases far infrared rays and antibacterial ions to protect wearers' skin from bacteria. It will keep the outfit fresh and clean, thus helps to enhance athletic performance

A-ANTISEPTIC

A-ANTISEPTIC restrains bacterial growth on the fabric, keeping clothes fresh and clean even longer

A-COOL

A-COOL helps keep wearers dry and comfortable so as to improve athletic performance

A-SMART WINDOW

A-SMART WINDOW technology incorporates special fabrics that uses advanced yarn technology which automatically adjusts yarn structures to accommodate changes in body humidity levels. This technology can effectively improve breathability and maintain lasting comfort during sports

A-STATIC

A-STATIC effectively reduces static electricity generated from the clothes so as to prevent static shocks

A-FROZEN SKIN

A-FROZEN SKIN effectively regulates the temperature of the body surface and helps keep the skin dry and refreshing even in hot and humid environments

A-PROOFRAIN I

A-PROOFRAIN I protects wearers from light rain, keeping them dry inside

A-PROOFRAIN II

A-PROOFRAIN II protects wearers from moderate rain, keeping the outfit dry while at the same time enabling moisture to evaporate from the body surface and keeping human body comfortable and dry

A-PROOFRAIN III

A-PROOFRAIN III can protect wearers from heavy rain and snow storms efficiently and enduringly, while quickly drawing moisture from the body surface, always keeping human body comfortable and dry

A-RAIN BREAKER

A-RAIN BREAKER technology is inspired by the water resistant properties of the lotus leaves. By using eco-friendly fabric with PFC-free and advanced waterproof technology, it helps to keep wearers dry and comfortable

A-SPORTS SHAPE

A-SPORTS SHAPE has a 3D structure that keeps the outfit light and comfortable. It is designed for maximum comfort and style

A-FROZEN SKIN III

A-FROZEN SKIN III adopts Xylitol, an endothermic macromolecular material, during the printing process on quick-drying fabric, which can greatly enhance the heat transfer from skin surface into textile; it also offer excellent and persistent cooling function through fast leading out of water and evaporative cooling by the fabric

A-SPORTS ENERGY

By adding the nano-germanium material to fiber, A-SPORTS ENERGY enables the textile to feature functions of far infrared emission and release of negative ions, which can make human's muscle tissue to generate more energy substances for accelerating recovery from fatigue and enhancing performance during exercise

GREEN A-WARM uses the next-generation DuPont Sorona fiber thermal insulation material, which is partly derived from renewable natural resources, and features warmth and comfort

HOLLOW A-WARM adopts a special manufacture process using hollow fiber with a still air layer; the low thermal conductivity of the still air layer and its low heat dissipation characteristics help keep wearers warm

Clothes featuring LIGHT A-WARM are woven from superfine high density fiber, together with lightweight and excellent warm heat preserving filling materials

A-INFRARED WARM uses ceramic printing material which can release far infrared when body heat is generated and enhance the warm-keeping function through the far infrared heat storage

A-WARM reduces heat loss and regulates body temperature, making wearers experience the warmth and comfort of sports in cold environments

HEATING A-WARM features special thermal insulation materials which can absorb moisture and sweat from human body and convert it to heat, making wearers feel warm and comfortable

REFLECTING A-WARM applies the principle of heat reflection, helping to reflect human heat through heat convention so as to preserve warmth

4. Supply Chain Management

As a leading sportswear company in China, we strive to always employ effective supply chain management. Suppliers must develop in tandem with us to achieve high efficiency in operations. In addition to implementing a strict partner and supplier selection regime, we are also committed to providing assistance to suppliers and partners to enhance their governance, production and operational standards.

We assess suppliers in many aspects when it comes to our selection process, including the performance in its level of credibility, good faith, capital, and environmental protection. We evaluate their products, prices, company size etc., in order to ensure we partner with the most suitable supplier. At the same time, we ensure that their capabilities in R&D, production management, corporate social responsibility and quality management systems reach industry standards, including ISO international standards.

We strengthened our supply chain to effectively produce differentiated products from our peers. For instance, we revised our measure of performance based on an incentive system, to motivate suppliers to make improvements. Regarding the requirements including health and safety, anti-discrimination and antichild labor, we created a metric system that integrates suppliers' performance and results, and generates scores and rankings. For performances that continually improve, we encourage and assist suppliers to apply for international accreditations. Over the long run, we reward those with high ratings with increased orders, additional resources and assistance.

Apart from maintaining close contact with suppliers, we also hosted several training camps and annual meetings with them to share our plans, and discuss trends within the industry. These initiatives also aim to encourage suppliers to produce more innovative products. Supported by high-quality OEMs, our in-house manufacturing facilities have extra capacity to efficiently and flexibly meet unexpected demand in a cost-effective manner. We have also further improved our supply chain to shorten production lead times, allowing us to be punctual in meeting consumer demand. In addition, we fully support our supply chain partners' efforts to enhance quality control and workflow efficiency, as well as improve their responsiveness to changing market conditions. Subsequently we are able to improve the growth prospects of our business.

We have also strategically combined both in-house and outsourced production to better respond to market conditions and changes in consumer preferences. To be more flexible in fulfilling replenishment orders and maintain our cost advantage, we have further optimized the efficiency of our production process. During the year, ANTA's self-produced footwear and apparel accounted for 32.2% and 11.4% respectively out of our total quantities (2018: 33.3% and 13.0%).

5. Product Management and R&D

We always believe that technological innovation, original design and product safety are the keys to product differentiation. Product innovation is our most important investment, through which we can achieve sustainable and healthy growth. In addition to continuously strengthening designer resources, the ratio of R&D has also increased year by year. During the year, our R&D investment accounted for 2.3% of the revenue. We have a science laboratory in Jinjiang, Fujian Province in China and design offices in the US, Japan and Korea.

6. Quality Control

We strongly believe that quality control plays an important role in our daily operations. In this highly competitive industry, the key to strengthening market share is to design and manufacture comfortable, safe and high-quality sportswear products for consumers. We select our business partners through an extensive set of evaluation criteria that requires them to acquire certifications in manufacturing and quality management systems, thus attaining ISO international standards.

With our dedication to provide high-quality products, we strictly control the quality standard of all our products. If products with quality or safety defects are discovered after shipment, we will strictly follow the "Product Recall Management System" to recall the products and ensure that they are handled properly, significantly reducing the negative impact of selling defective products.

To ensure that our suppliers follow our standards, we conduct quarterly, semi-annual or annual on-site inspections based on the supplier's contract period and past performance with us, and provide reports on a quarterly basis on relevant statistics. We also developed the "QC Standards Management Measures" to assist our suppliers' sustainable development. By standardizing the training agenda and operational standards of our suppliers, we aim to help them maintain an excellent and stable production with high quality. In response to the increasing demand for environmentally friendly products in the market, we have been strictly adhering to environmental protection-related regulations. We formulated a number of measures to ensure a standard code on design, procurement, production and retail. The plan aims to bring a more comprehensive environmental policy to us.

7. Human Resources Management

We attribute our success to the cooperation and sincerity of our employees. As our business is considered a highly labor-intensive industry, the safety and well-being of our employees are critical to our operational efficiency and corporate image. To ensure our long-term development is steady and progressive, we are committed to fully abiding by all relevant laws and regulations, in order to create a safe and friendly work environment. We are also committed to build a business that brings benefits to both employees and the employer, and encourages employees to discover their own self-worth.

It is our responsibility to ensure a safe and harmonious working environment and a fair treatment and protection for our employees. Through implementing various safety policies and procedures, we are committed to minimizing potential workplace risks and avoiding workplace injuries. We provide suitable protective equipment according to our employees' respective job functions, as well as training on how to handle the procedures, materials and machinery involved. We also arrange relevant safety training to ensure our employees understand the potential risks of their work. The training sessions provide guidelines on how to operate the machines properly, in order to avoid accidents that may be caused by any misunderstandings. Furthermore, to ensure our employees strictly follow rules and regulations, we not only provide timely safety training, but also occasionally arrange for supervisors to inspect the frontline, making sure our employees behave in accordance to our safety regulations. We provide employees with comprehensive benefits and protection, as well as sophisticated training programs, in order to grant them appropriate opportunities to unleash their talents and potential. We value the needs of our staff's family roles, and try our best to coordinate and make appropriate arrangements.

In terms of equal opportunities, we value the individual preferences of our employees, regardless of their gender, age, religion and race, and provide opportunities based on talent and merit. As at 31 December 2019, we had around 30,800 employees (end of 2018: 25,000 employees) in total.

8. Internal Management

8.1 Legal Compliance

Based on the best knowledge of Directors and management, we are not aware of any non-compliance of laws and regulations, which will have a significant impact on the business of the Group.

8.2 Relationship with Stakeholders

Good corporate governance mechanisms help build stable relationships with our suppliers, distributors, franchisees, customers, shareholders and other stakeholders. Through various communication methods, we collect opinions and advice from stakeholders, which provide considerable benefits to our business improvement. Maintaining relationships with our stakeholders is not only a valuable intangible asset to us, but also helps all parties to comply with our code of business ethics, achieving win-win outcomes.

8.3 Our Existing Environmental Protection Measures

We understand that the environment has a long lasting impact on our future development. Meanwhile, we have undertook several measures like upgrading facilities and adopting clean energy as well as improving our administrative management. For example, factories are encouraged to utilize energy-saving tube light and regulate the use of air conditioning to reduce greenhouse gases and carbon emissions. Besides complying with relevant environmental laws and regulations, we launched "ANTA Grand Forum" to serve as a communication platform for employees to share and exchange their ideas on environmental protection. More importantly, we continue to strengthen our product innovation capability by actively exploring eco-friendly materials for our products series.

9. Principal Risks and Uncertainties Facing by the Group

9.1 Exchange Rate Risk

While most of our business is denominated in RMB, our overseas business is denominated in foreign currencies, which could create potential problems in terms of foreign exchange payment and receipt issues and affect the relationship between debtors and creditors. Currently, the RMB is a managed floating currency which is adjusted by reference to a basket of global currencies. The conversion ratio of RMB into foreign currency is subject to fluctuations in the market and is driven by events in the global economy and politics. Changes in foreign exchange rates affect the value of our assets, debt, and domestic and international income which are denominated in foreign currencies. These might lead to changes in our revenue and cash flows.

9.2 Operational Risks

Risks under Intensified Market Competition

Increasingly tense competition in the sportswear industry is reflected in the expanding scale and continuous concentration of the industry, and the expansion of international clothing brands across China. The nature of this competition has shifted from a focus on quantity and price to new attributes such as state-of-the-art technology and product ranges that add value. In spite of these challenges, we have maintained our dominant position in the Chinese sportswear market, but we acknowledge that intensified market competition may impact our future revenue and profitability to a certain degree.

Risks from Counterfeit Brands

Brand is a key consideration that consumers take into account when purchasing sportswear products. There are a number of unscrupulous manufacturers that counterfeit well-known brands and sell them illegally, which has an adverse impact on the brands they replicate. As our sportswear products and brands are well-regarded in the domestic market, we have proactively adopted a number of different safeguards to protect our independent intellectual property rights; but we recognize that it is difficult to identify every infringement of our brand at any one time. If our products were counterfeited on a mass scale in the future, the image of our brand and profitability would be at considerable risk.

Production Safety Hazards

Due to the particularity of the sporting goods and manufacturing industry, the fire prevention is especially important. The glue we use during the production process and semi-finished products are flammable, and a fire would directly and negatively impact our operations.

Risks under Increased Sales Channel Costs

We adopt a combined wholesale and retail approach as a means to sell our products. Should retail shop rents increase, the Group's and distribution partners' profits would be reduced.

Product Development Risks

We focus on the sporting goods business, our products should be functional as well as fashionable. Consumer preferences for fabrics and clothing styles change at a rapid pace and our ability to adapt to these preferences will determine the success of our sales.

Risks Caused by Economic Cycle Volatility and Weakened Downstream Demand

The sportswear industry is vulnerable to volatile economic cycles. In recent years, a downturn in domestic and international economies has weakened the retail market environment and forced consumers to spend less, which led the traditional apparel industry to generally weaker with lower sales. If this volatile economic cycle persists and leads to continued sluggish downstream consumer demand, it would have an adverse impact on our operations.

9.3 Management Risk

Supplier Management Risks

Despite our strict selection mechanisms and quality control system, our business may be affected by numerous different factors relating to our suppliers, including the quality of raw materials provided; the status of product deliveries; transportation capabilities; and management capabilities, among others. Cases where the quality of raw materials fails to meet our requirements; quality inspection departments are not able to spot defective products in time; products are not delivered on time, to the right location or in the right quantity; and products are lost or damaged during delivery would all have adverse impacts on our operations. Furthermore, our ability to manage operations effectively will also be adversely affected if suppliers' credit conditions deteriorate due to their tight financial positions.

Risks from Talent Shortage and Loss of Talent

The promotion of our brands in the industry, the digitalization of our operations and the optimization of our supply chain requires many talented employees who specialize in product planning, product design, information management and supply chain management. However, there is a shortage of relevant professional talents in China, and a large scale loss of this kind of talents in the future would negatively impact our operations.

Risks from Product Transportation Management

We primarily rely on third-party logistics companies to transport our goods, and because there are a number of logistics companies that we work with, there is a certain degree of difficulty in terms of managing them. If part of our supply chain was delayed or adversely impacted, or if products were damaged due to negligence or mistakes on the part of the logistics companies, our operations would be affected. Should any accidents occur, such as traffic accidents, natural disasters or strikes, among other issues, the supply of our products may be temporarily interrupted, meaning that we would not be able to deliver products to our distributors in time. This would have a negative impact on our operations.

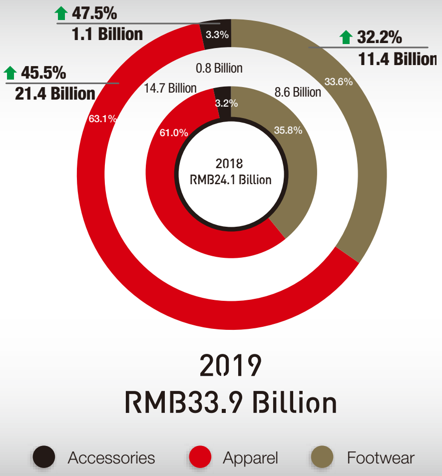
FINANCIAL REVIEW

Revenue

Breakdown by Product Category

The following table sets out the Group's revenue by product category for the financial year:

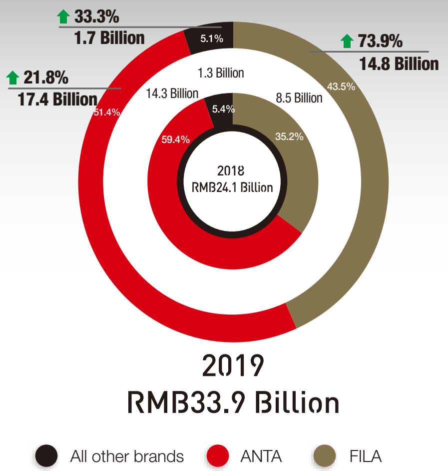
	Year ended 31 December				
	2019		2018		**Changes**
	(RMB million)	**(% of Revenue)**	(RMB million)	(% of Revenue)	(%)
Footwear	**11,409.7**	33.6	8,631.4	35.8	↑ 32.2
Apparel	**21,397.7**	63.1	14,709.2	61.0	↑ 45.5
Accessories	**1,120.4**	3.3	759.4	3.2	↑ 47.5
Overall	**33,927.8**	100.0	24,100.0	100.0	↑ 40.8



Breakdown by Segment

The following table sets out the Group's revenue by segment for the financial year:

	Year ended 31 December				
	2019		2018		**Changes**
	(RMB million)	**(% of Revenue)**	(RMB million)	(% of Revenue)	(%)
ANTA	**17,449.8**	51.4	14,326.8	59.4	↑ 21.8
FILA	**14,770.1**	43.5	8,491.7	35.2	↑ 73.9
All other brands	**1,707.9**	5.1	1,281.5	5.4	↑ 33.3
Overall	**33,927.8**	100.0	24,100.0	100.0	↑ 40.8



During the financial year, the Group's revenue increased by 40.8% as compared with 2018 to RMB33,927.8 million (2018: RMB24,100.0 million).

The Group's revenue was mainly generated by the core segment, ANTA, which accounted for 51.4% of the overall revenue. ANTA segment revenue increased by 21.8% as compared with 2018 to RMB17,449.8 million (2018: RMB14,326.8 million). The growth in ANTA segment revenue was mainly attributed to (i) the steady growth in ANTA brand revenue as a result of the enhanced market recognition on ANTA brand and its products; and (ii) notable growth in ANTA KIDS' revenue.

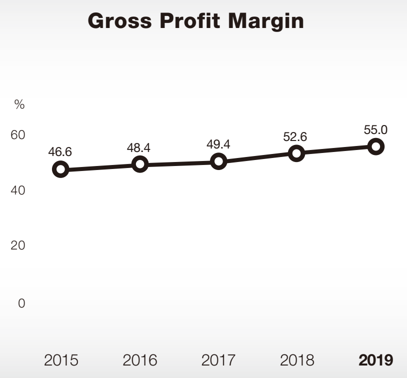
FILA segment also contributed 43.5% of the overall revenue to the Group, the segment revenue increased by 73.9% as compared with 2018 to RMB14,770.1 million (2018: RMB8,491.7 million). The growth of FILA segment revenue was mainly attributed to (i) the continuous enhancement in market recognition on FILA brand and its products; (ii) the strong retail operation performance with increases in physical stores and efficiency; and (iii) the development of e-commerce.

Gross Profit and Gross Profit Margin

Breakdown by Product Category

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

	Year ended 31 December				
	2019		2018		Changes
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	(% point)
Footwear	5,756.6	50.5	4,226.1	49.0	↑ 1.5
Apparel	12,365.2	57.8	8,131.1	55.3	↑ 2.5
Accessories	537.2	47.9	330.1	43.5	↑ 4.4
Overall	18,659.0	55.0	12,687.3	52.6	↑ 2.4



Breakdown by Segment

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

	Year ended 31 December				
	2019		2018		Changes
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	(% point)
ANTA	7,200.6	41.3	6,022.5	42.0	↓ 0.7
FILA	10,402.5	70.4	5,931.8	69.9	↑ 0.5
All other brands	1,055.9	61.8	733.0	57.2	↑ 4.6
Overall	18,659.0	55.0	12,687.3	52.6	↑ 2.4

During the financial year, the Group's overall gross profit margin increased by 2.4% point as compared with 2018 to 55.0% (2018: 52.6%). The increase in overall gross profit margin was mainly due to the increased contribution from FILA segment with relatively higher gross profit margin.

ANTA segment gross profit margin decreased by 0.7% point as compared with 2018 to 41.3% (2018: 42.0%). The decrease in gross profit margin is mainly attributable to (i) the Group's commitment to maximize value-for-money propositions through improvement in product technology and innovation, especially on the footwear products; and (ii) more sales rebate strategically provided to distributors to encourage the upgrade to ninth-generation stores, distribution network optimization and retails level digitalization.

FILA segment gross profit margin maintained at a relatively stable level of 70.4% (2018: 69.9%).

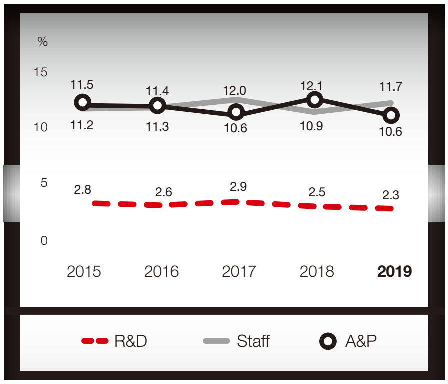
Other Net Income

Other net income for the financial year amounted to RMB1,069.7 million (2018: RMB760.0 million), which mainly comprised of government grants of RMB1,018.8 million (2018: RMB741.2 million). The government grants were provided to the Group in recognition of its contribution towards the local economic development.

Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue decreased by 1.5% point for the financial year mainly due to a larger overall revenue base arising from the notable growth in the overall revenue of the Group. The ratio of staff costs to revenue increased by 0.8% point due to the increase in the Group's headcounts amid its overall business expansion and the grant of awarded shares to staff under the Company's existing share award scheme during the financial year. The ratio of R&D costs to revenue decreased by 0.2% point due to a larger overall revenue base arising from the notable growth in the overall revenue, in spite of the fact that the Group continued to enhance its overall R&D capability.

Operating Expenses Ratios



Operating Profit and Operating Profit Margin

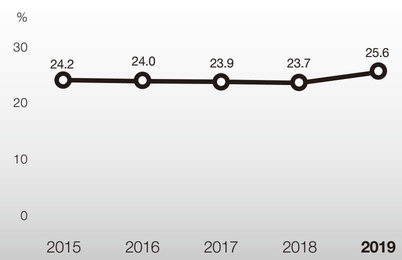
The following table sets out the operating profit/(loss) and operating profit/(loss) margin by segment for the financial year:

	Year ended 31 December				
	2019		2018		Changes
	Operating profit/(loss) (RMB million)	**Operating profit/(loss) margin (%)**	Operating profit/(loss) (RMB million)	Operating profit/(loss) margin (%)	(%)
ANTA	**4,676.2**	**26.8**	3,706.2	25.9	↑ 0.9
FILA	**4,022.8**	**27.2**	2,149.8	25.3	↑ 1.9
All other brands	**(58.2)**	**(3.4)**	(156.2)	(12.2)	↑ 8.8
	8,640.8	**25.5**	5,699.8	23.7	↑ 1.8
Gain on disposal of interests in a joint venture	**53.9**	**N/A**	–	N/A	N/A
Overall	**8,694.7**	**25.6**	5,699.8	23.7	↑ 1.9

During the financial year, the Group's overall operating profit margin increased by 1.9% point as compared with 2018 to 25.6% (2018: 23.7%). Both ANTA segment and FILA segment contributed to the increase in overall operating profit margin.

The increase in operating profit margin was mainly due to (i) the increased contribution from retail operations which generally have a relatively higher gross profit margin than wholesale operations; and (ii) the relatively stable operating expenses ratio as a percentage of revenue.

Operating Profit Margin



Net Finance (Costs)/Income

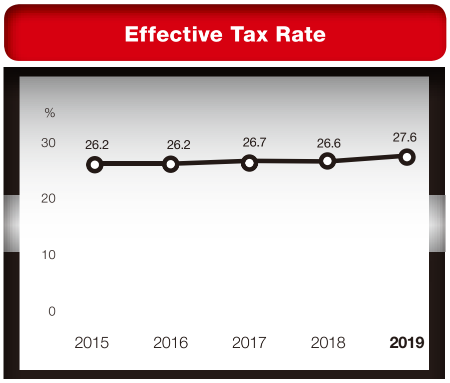
Total interest income for the financial year amounted to RMB167.7 million (2018: RMB225.1 million). Such decrease was mainly driven by the decrease in average interest rate of bank deposits as compared with 2018, and the disposal of listed held-to-maturity debt securities during 2019.

Total interest expense (excluding interest expense on lease liabilities) amounted to RMB187.4 million (2018: RMB52.0 million) for the financial year, in which RMB3.6 million (2018: RMB2.1 million) was capitalized to a property under development. Such increase was mainly driven by the increase in average amount of bank loans during the financial year.

As a result of initial adoption of IFRS/HKFRS16, interest expense on lease liabilities amounting to RMB93.9 million was recognized for the first time during the financial year.

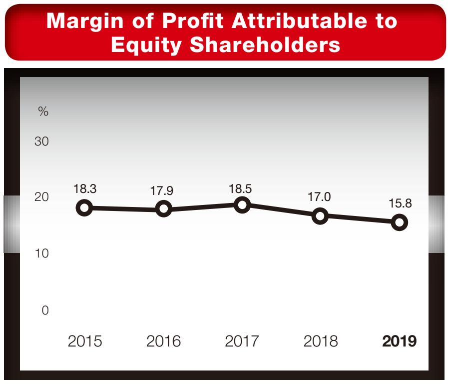
Effective Tax Rate

Effective tax rate (excluding the effect of share of loss of a joint venture) was 27.6% for the financial year (2018: 26.6%). The increase was mainly arising from the increase in withholding tax on profits retained by Mainland China subsidiaries.



Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 1.2% point to 15.8% for the financial year in spite of the 1.9% point increase in operating profit margin. It was mainly due to (i) the increase in interest expenses and (ii) share of loss of a joint venture.



Write-down of Inventories

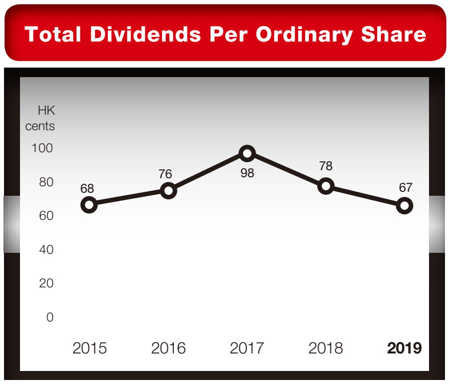
Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories. During the financial year, write-down of inventories amounting to RMB33.9 million was charged to profit or loss (2018: reversal of write-down of inventories amounting to RMB7.9 million was credited to profit or loss).

Impairment Loss for Trade Receivables

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses ("ECLs"). ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. During the financial year, reversal of impairment loss for trade receivables amounting to RMB12.3 million was credited to profit or loss (2018: impairment loss for trade receivables amounting to RMB24.4 million was charged to profit or loss).

Dividends

The Board has recommended a final dividend of HK36 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK31 cents per ordinary share, representing a total payout of RMB1,641.9 million (2018: RMB1,839.3 million), or a distribution of 30.7% (2018: 44.8%) of the current year's profit attributable to equity shareholders. The recommended final dividend is subject to the approval by shareholders of the Company at the forthcoming AGM.



	2019 (RMB million)	2018 (RMB million)
Year ended 31 December		
Operating cash inflow	**7,485.0**	4,439.7
Capital expenditures	**(1,087.2)**	(808.2)
Acquisition of interest in a subsidiary	**–**	(183.9)
Others	**35.2**	1.3
Free cash inflow	**6,433.0**	3,448.9
As at 31 December		
Cash and cash equivalents	**8,220.7**	9,283.7
Fixed deposits held at bank with maturity over three months	**4,381.9**	807.8
Pledged deposits	**4.3**	1,662.2
Bank loans	**(8,002.4)**	(1,313.6)
Bills payable (financing in nature)	**(1,200.0)**	(469.3)
Net cash position	**3,404.5**	9,970.8

Liquidity and Financial Resources

As at 31 December 2019, the cash and cash equivalents of the Group amounted to RMB8,220.7 million which were mainly denominated in RMB, HKD and USD, representing a decrease of RMB1,063.0 million as compared with the cash and cash equivalents of RMB9,283.7 million as at 31 December 2018. This is mainly attributable to:

- Net cash inflow from operating activities amounted to RMB7,485.0 million, which was higher than the profit for the year (excluding the effect of share of loss of a joint venture) and represents the strong cash generation capability of the Group.

- Net cash outflow from investing activities amounted to RMB13,065.1 million, mainly including payment for investment in a joint venture of RMB11,706.7 million, capital expenditure of RMB1,087.2 million, proceeds from disposal of interests in a joint venture of RMB862.6 million, net uplifts of pledged deposits of RMB1,444.2 million, net placement of fixed deposits held at banks with maturity over three months of RMB3,238.2 million and net proceed from other financial assets of RMB625.0 million.

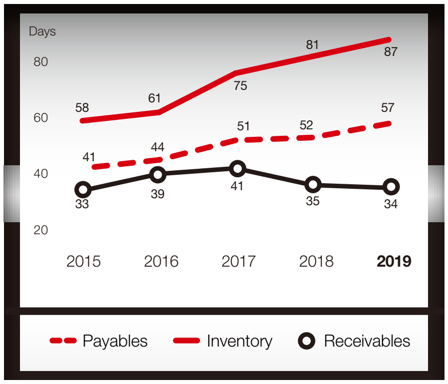
- Net cash inflow from financing activities amounted to RMB4,669.7 million, mainly including the payments of the final dividend in respect of the financial year 2018 and the interim dividend in respect of the financial year 2019 amounting to RMB1,416.6 million, the net drawdown of bank loans (including interest payments) amounting to RMB6,326.0 million, net proceeds from bill of exchange amounting to RMB730.7 million, payment of lease liabilities amounting to RMB1,160.2 million, payment for shares purchased pursuant to share award scheme amounting to RMB444.7 million and the net proceeds from the Subscription (as defined below) amounting to RMB691.9 million.

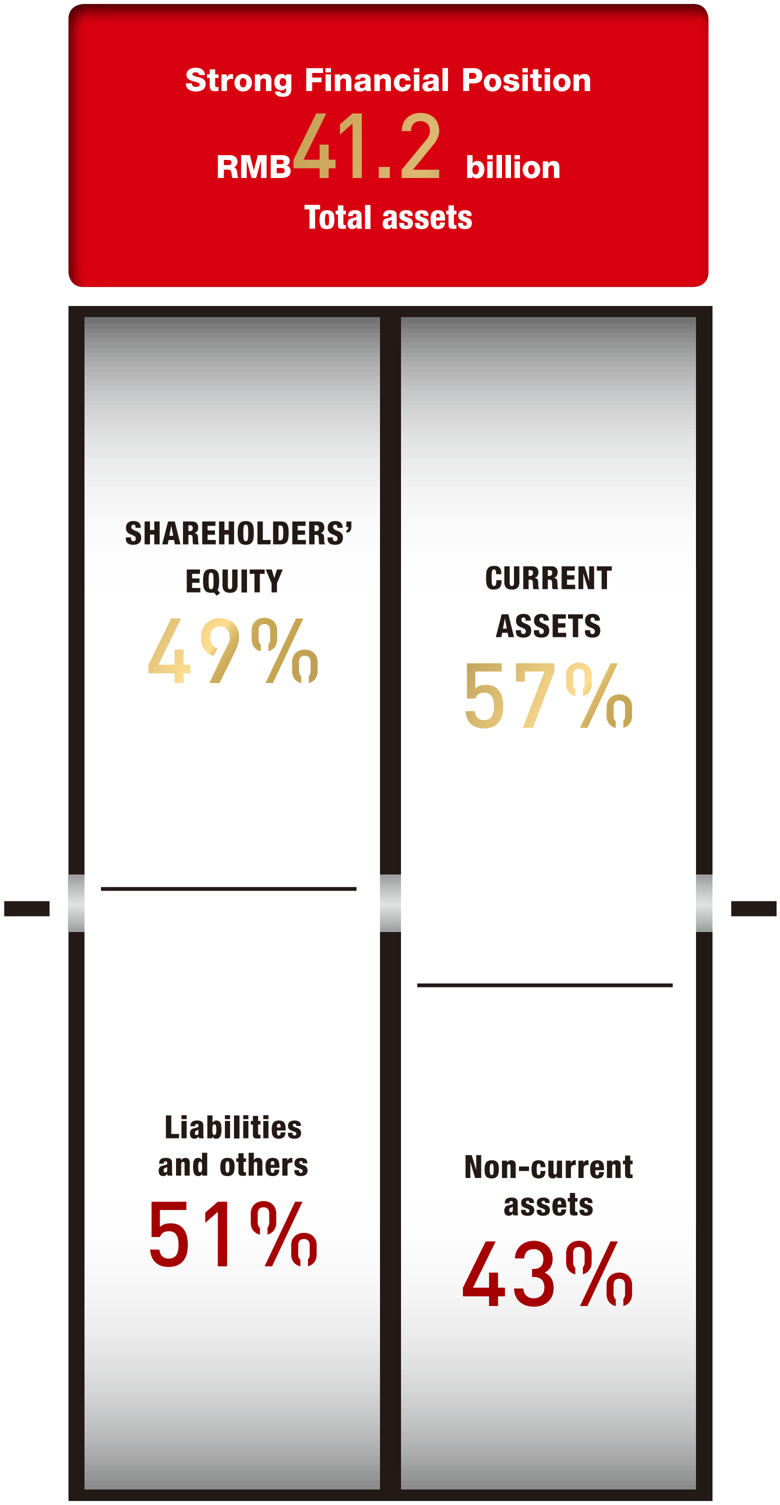
As at 31 December 2019, total assets of the Group amounted to RMB41,218.4 million, of which current assets were RMB23,320.8 million. Total liabilities and non-controlling interests were RMB21,136.7 million and total equity attributable to equity shareholders of the Company amounted to RMB20,081.7 million. The Group's gearing ratio was 22.3% as at 31 December 2019 (as at 31 December 2018: 7.3%), being a ratio of sum of bank loans (as at 31 December 2019: RMB8,002.4 million; as at 31 December 2018: RMB1,313.6 million) and bills payable (financing in nature) (as at 31 December 2019: RMB1,200.0 million; as at 31 December 2018: RMB469.3 million) to total assets. The bank loans were denominated in EUR, USD, RMB and HKD and measured at amortized cost. 17% of bank loans are at fixed rate and 17% of bank loans are repayable within one year. Bills payable (financing in nature) were bills of exchange which were denominated at RMB, measured at amortized cost and repayable within one year.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 6 days due to the increased contribution from retail operations. The average trade receivables turnover days and the average trade payables turnover days decreased by 1 days and increased by 5 days respectively, representing strong cash management and healthy operating cash inflow for the financial year.

Assets/Liabilities Turnover Days





Pledge of Assets

As at 31 December 2019, the Group had bank deposits of RMB4.3 million (as at 31 December 2018: RMB1,662.2 million) pledged as security for certain contracts.

Financial Management Policies

The Group continues to manage financial risks in a prudent manner and proactively adopts internationally recognized corporate management standards to safeguard the interests of shareholders. As the functional currency of most non-Mainland China entities (other than the joint venture) is HKD and those financial statements in HKD are translated into RMB for reporting and consolidation purposes, foreign exchange differences arising from the translation of such financial statements are directly recognized in equity as a separate reserve. In addition, as the investment in a joint venture and related acquisition bank loans are denominated in EUR, fluctuations in the exchange rates of the EUR against RMB may have a significant impact to the Group's net assets and total comprehensive income.

Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

Investment in a Joint Venture and the related Very Substantial Acquisition of Shares in Amer Sports through Tender Offer

As disclosed in the announcement of the Company dated 7 December 2018 in relation to the possible very substantial acquisition to acquire all the issued and outstanding shares of Amer Sports through tender offer (the "VSA Announcement"), on 7 December 2018, the Company and other investors formed an investor consortium, which was led by the Company, for the purpose of the voluntary recommended public cash tender offer for all the issued and outstanding shares in Amer Sports at a price of EUR40.00 per Amer Sports' share.

On 26 March 2019, Amer Sports Holding (Cayman) Limited ("Mascot JVCo", formerly known as Mascot JVCo (Cayman) Limited) was an indirectly wholly owned subsidiary of the Company and issued and allotted additional shares to the Group and other third-party investors. The Group reduced its shareholding in Mascot JVCo from 100.00% to 57.95% and entered into a shareholder agreement with the other investors, resulting in Mascot JVCo becoming a joint venture of the Group under applicable financial reporting standards because decisions about certain relevant activities of the Mascot JVCo require the consent of directors nominated by other shareholders of Mascot JVCo. The Group has invested EUR1,543.0 million (equivalent to RMB11,706.7 million) in Mascot JVCo ("JVCo Contribution") during the financial year.

On 29 March 2019 (the "Acquisition Date"), Amer Sports Holding Oy ("Mascot BidCo", formerly know as Mascot BidCo Oy), an indirect wholly-owned subsidiary of Mascot JVCo, acquired 98.11% of the shares and voting rights in Amer Sports (excluding shares held by Amer Sports or any of its subsidiaries) (the "Acquisition"). As a result of the Acquisition, Amer Sports became an indirect subsidiary of Mascot JVCo. The Group also disposed 1,679,936 shares of Amer Sports which were already owned prior to the Acquisition to Mascot BidCo for a consideration of RMB505.3 million, as part of the arrangement under the tender offer as disclosed in the VSA Announcement.

Amer Sports is a sporting goods company with internationally recognized brands including Salomon, Arc'teryx, Peak Performance, Atomic, Suunto, Wilson and Precor etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase the customer enjoyment of sports and outdoor activities. Amer Sports' business is balanced by its broad portfolio of sports and products and presence in all major markets. Shares of Amer Sports had been listed on the Nasdaq Helsinki Stock Exchange (stock code: AMEAS) and, as a result of Mascot BidCo gaining title to all shares in Amer Sports, were delisted from the Nasdaq Helsinki Stock Exchange on 4 September 2019 under applicable laws. The consortium has been working on the future plan of Amer Sports to unlock the full potential of its internationally recognized sportswear and equipment brands and the Group has strong belief in the future success of Amer Sports.

The Group accounts for Mascot JVCo as an investment in a joint venture using the equity method in the consolidated financial statements of the Group. As at 31 December 2019, Mascot JVCo has obtained the final results of purchase price allocation exercise and the accounting for the business combination of Amer Sports has been completed and finalized. Summarized consolidated financial information of Mascot JVCo, based on the latest available information to the Company and adjusted in accounting policies adopted by the Group, are disclosed below:

	From 26 March 2019 to 31 December 2019 (RMB million)
Revenue	17,499.0
Loss from continuing operations	(1,003.8)
Net loss	(1,092.6)
Other comprehensive loss	(111.9)
Total comprehensive loss	(1,204.5)

	As at 31 December 2019 (RMB million)
Total assets	59,176.1
Total liabilities	(39,572.9)
Total Equity	19,603.2

During the period from the date of JVCo Contribution to 31 December 2019 (the "Post JVCo Contribution Period"), a net loss (on a consolidated basis) of RMB1,092.6 million was recorded in Mascot JVCo. The Group considers the net loss recorded in the Post JVCo Contribution Period was within our expectation with reference to Amer Sports' historical financial performance in the comparable period and the transaction costs incurred in relation to the Acquisition, as such there are no adverse changes to the investment value.

During the financial year, share of loss of a joint venture of RMB630 million was recorded, in which the impact from one-off expenses in relation to the Acquisition was not more than RMB200 million and the impact from purchase price allocation exercise was not more than RMB500 million.

At 31 December 2019, the Group effectively held 538,226 shares or 53.82% interest in Mascot JVCo after the disposal of interest as explained below. The carrying amount and the fair value of the investment in the joint venture were RMB10,551.0 million and RMB10,678.2 million respectively, representing 26% and 26% of the total assets of the Group respectively.

Disposal of Interests in a Joint Venture

On 12 November 2019, the Group entered into certain share purchase agreements, resulting in: (i) disposal of all 50,012 shares of class B shares ("Class B Shares", which are non-voting shares) of ANLLIAN HOLDCO (BVI) LIMITED ("Anllian SPV", a wholly-owned subsidiary of the Group as at the date of the share purchase agreements and holding 5.0012% equity interests of Mascot JVCo) to 4 investors (2 of which are connected persons of the Company as explained below) at a total consideration of approximately EUR133.3 million (equivalent to RMB1,042.2 million) ("Anllian SPV Share Purchase Agreements"); and (ii) disposal of 0.2505% equity interest in Mascot JVCo to Baseball Investment Limited ("FountainVest SPV", one of the other investors of Mascot JVCo) at consideration of approximately EUR6.7 million (equivalent to RMB52.4 million) ("JVCo Share Purchase Agreement") (i.e. disposing 5.0012% economic interest and directly disposing 0.2505% equity interest respectively in Mascot JVCo with total consideration of approximately EUR140.0 million (equivalent to RMB1,094.6 million) by the Group). The purchase price under each of the Anllian SPV Share Purchase Agreements and JVCo Share Purchase Agreement was arrived at after arm's length negotiations between the Company and the Anllian SPV Purchasers and FountainVest SPV respectively based on the acquisition cost of all the issued and outstanding shares of Amer Sports and the relevant fees incurred relating to the Acquisition.

In respect of the Anllian SPV Share Purchase Agreements, (i) 26,733 Class B Shares (representing 53.453% of the total Class B Shares) were disposed to Super Grand Global Limited ("Super Grand") at consideration of approximately EUR71.2 million (equivalent to RMB556.7 million) ("Super Grand Share Purchase Agreement"); (ii) 8,260 Class B Shares (representing 16.516% of the total Class B Shares) were disposed to Blossom Fortune Investment Limited ("Blossom Fortune") at consideration of approximately EUR22.0 million (equivalent to RMB172.0 million) ("Blossom Fortune Share Purchase Agreement"); (iii) 11,264 Class B Shares (representing 22.523% of the total Class B Shares) were disposed to Sequoia Jingyuan (Xiamen) Equity Investment Partnership (Limited Partnership) ("Sequoia SPV") at consideration of approximately EUR30.1 million (equivalent to RMB235.3 million) ("Sequoia Share Purchase Agreement"); and (iv) 3,755 Class B Shares (representing 7.508% of the total Class B Shares) were disposed to Z Babylon AS Investments Limited and Z Babylon Norwich Investments Limited (jointly and severally) (collectively "ZWC") at consideration of approximately EUR10.0 million (equivalent to RMB78.2 million) ("ZWC Share Purchase Agreement").

Each of Super Grand, Blossom Fortune and FountainVest SPV is connected person of the Company under the Listing Rules.

The transactions under Super Grand Share Purchase Agreement, Blossom Fortune Share Purchase Agreement, ZWC Share Purchase Agreement and JVCo Share Purchase Agreement were completed during the financial year with total proceeds of approximately RMB862.7 million and total gains of approximately RMB53.9 million. Subsequent to the financial year, the transaction under the Sequoia Share Purchase Agreement was completed on 17 January 2020 with proceeds of approximately RMB235.0 million. Upon completions of all the transactions of Anllian SPV Share Purchase Agreements and JVCo Share Purchase Agreement, the Group held 52.6962% equity interest and 57.6974% voting rights in Mascot JVCo.

The Company intends to apply the net proceeds, after deducting related expenses in connection with the share purchase agreements, as general working capital of the Group.

For further details, please refer to the announcement of the Company dated 12 November 2019.

Saved as disclosed above, during the financial year, the Group made no significant investment or any material acquisition or disposal of subsidiary.

Placing and Top-up Subscription

References are made to the announcements of the Company dated 22 March 2017 and 31 March 2017 in relation to the placing of existing Shares and top-up subscription of new Shares under the general mandate.

The gross proceeds from the placing and top-up subscription were approximately HK$3,792.3 million and the net proceeds after deducting all relevant expenses were approximately HK$3,787.4 million (equivalent to RMB3,394.1 million). The net proceeds were fully utilized in JVCo Contribution during the financial year.

Subscription of New Shares By Connected Person

On 30 May 2019, the Company and Anamered Investments Inc. (the "Subscriber") entered into a subscription agreement pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 15,842,000 new ordinary shares of the Company in cash at the subscription price of HK$49.11 per Share (the "Subscription"), representing a premium of approximately 4.60% over the closing price of HK$46.95 per Share as quoted on the Hong Kong Stock Exchange as at the date of the subscription agreement. The Subscriber is a connected person of the Company under the Listing Rules.

The Board considers the Subscription represents a valuable opportunity for the Company to bring in renowned investor with strong financial resources and an extensive business network. Through the Subscription, the cooperation with the Subscriber will bring strategic value to the Group in relation to international business development, which in turn creates further alignment with the important partner in Amer Sports who shares a common vision with the Group on the expansion of the sportswear consumer market.

The completion of the Subscription took place on 28 June 2019. The gross and net proceeds from the Subscription were approximately HK$778 million (equivalent to RMB691.9 million). The net proceeds raised per subscription share upon completion were approximately HK$49.11. The net proceeds were fully utilized for general working capital during the financial year.

For further details, please refer to the announcements of the Company dated 30 May 2019 and 28 June 2019, and the related circular of the Company dated 26 June 2019.

Zero Coupon EUR1 Billion Convertible Bond Due 2025

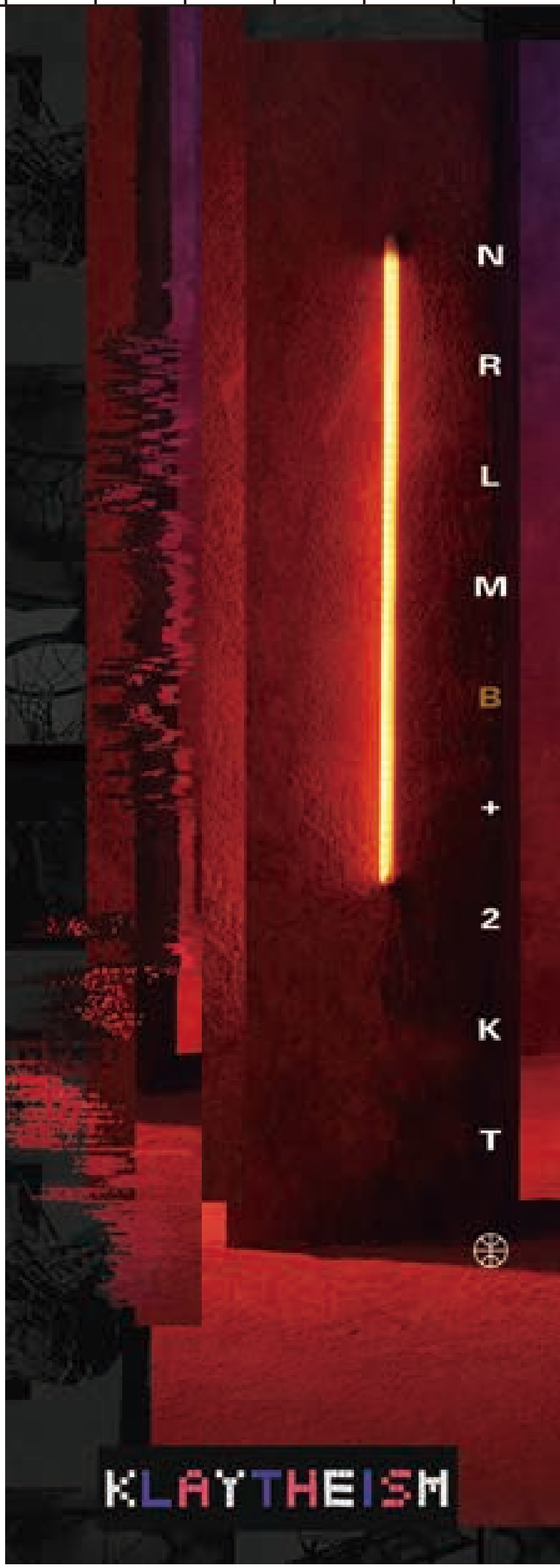
Subsequent to the financial year, the Group issued an principal amount of EUR1 billion zero coupon convertible bonds due 2025 (the "Bonds") on 5 February 2020. The Bonds may be converted into shares of the Company pursuant to its terms and conditions. Based on the initial conversion price of HKD105.28 per Share (subject to adjustment) and assuming full conversion of the Bonds, the Bonds will be convertible into 82,129,559 conversion shares.

For further details, please refer to the announcements of the Company dated 14 January 2020 and 5 February 2020.

Capital Commitments, Contingencies and Guarantee

Capital Commitments

As at 31 December 2019, the Group had capital commitments of RMB1,685.4 million, primarily relating to construction of Shanghai ANTA Center and decoration of a new office building in Xiamen and retail stores.



Contingencies

The Group previously engaged in litigation with Brooks Sports, Inc. ("Brooks") in the US and in China over certain trademarks disputes between the parties. In China, the Group has obtained judgment against Brooks in the registration of its trademark in March 2018. In the US, a district court rendered a decision on 11 January 2019, indicating that the court would issue a default judgment against the Group.

During the financial year, the Group has entered into a trademark settlement agreement with Brooks that aims to reach a global resolution of all litigations and administrative proceedings before various courts and/or trademark offices, or other related disputes, including the above-referenced matters between the parties and/or before any trademark offices or other governmental entities relating to or arising from the use of the parties' respective trademarks.

Saved as disclosed above, the Group is not involved in any material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Guarantee

There is a 5-year EUR1,300.0 million term loan facility ("Facility A") provided by independent third party bank lenders to Mascot JVCo for the purpose of, amongst other things, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) any refinancing of any indebtedness of Amer Sports in connection with the acquisition of shares of Amer Sports. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of Mascot JVCo to the arrangers, the lenders and the agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. As at 31 December 2019, Facility A has been fully drawn by Mascot JVCo.

Saved as disclosed above, as at 31 December 2019, the Group did not provide any form of guarantee for any company outside the Group.

PROSPECTS

Echoes the stock code of the Company, which makes it a special year of ANTA Sports. The year of 2020 is rife with challenges, with black-swan events such as the trade war and virus expected to impact the Chinese and global economy. However, as the traditional Chinese poem goes: "Honing gives a sharp edge to sword, and bitter cold adds keen fragrance plum blossom" We will take practical actions to tackle the challenges and difficulties. Amid uncertainties, we must seek chances for high-quality growth in order to mitigate the risks and turn them into opportunities. With the support of innovation, we will "Re-construct" our organization and business models. We are confident that this year, we will unfurl a brand-new chapter of more glorious moments.

Reaffirming Confidence and Uniting as One to Tackle Difficulties

The Pandemic was an completely unexpected crisis that brought huge, unprecedented challenges to the global economy. As a market leader, we always uphold our values and responsibilities to our staff, the society, and consumers. We have made the best of our strong executive power and managerial capability to adopt various methods to tackle the Pandemic. We also launched a brand-new online marketing model by leveraging our brand endorsers and endorsed athletes to record short videos on sports, widely promoting indoor sports for consumers and interacting with them. Meanwhile, we mobilised every staff to conduct online sales. We not only drove sales performance in our e-commerce channel, but also stimulated the Company's different teams to proactively keep in touch with consumers and better understand their demands. This was helpful in our formulation of future strategic ideologies and ways of conducting our business, pushing the team to pave a path of innovation through the crisis.

As early as the beginning of the Pandemic in late January, we swiftly responded to the situation by establishing "ANTA Group's Pandemic Prevention and Emergency Management Command Team", led by the senior management, to coordinate different departments of the Group in implementing precautionary measures against the Pandemic. Meanwhile, as an enterprise shouldering social responsibility, the Company reacted immediately in the nationwide battle against the Pandemic. As one of the first enterprises to donate towards

the cause, ANTA Sports gave a RMB10 million cash donation to the China Charity Federation (CCF) at the end of January. ANTA Sports also donated cold-resistant clothing and relevant materials worth RMB20 million to support the medical staff fighting on the frontlines against the Pandemic in the mid of February.

Leveraging "The Reconstruction of Mind as Reform" to "Promote High-quality Growth"

2020 will not be an easy year, as the business ecosystem upstream and downstream will both encounter evolutionary changes. When facing such uncertainties, our will and perseverance will be essential in building up our confidence. By utilizing the concept of "re-construct", we will address various challenges in branding, product value, management structure, synergy and innovation, as well as strategic thinking. We also need to promote changes in organizational capabilities and business models, take the lead in meeting challenges, determine the direction to take and employ swift execution, and stand out amid the haze.

In the past, based on our observation and analysis of the market, we have always been the leader in launching and implementing various innovative and successful strategies. Through our focus on a "Single-Focus, Multi-Brand, and Omni-Channel" strategy to a "Synergistic Incubation to Achieve Value Retailing and Internationalization" strategy, we have enacted organizational reforms by setting up three sports brand categories and three synergistic platforms. In doing so, we have fully upgraded the Group's structure, facilitating the Group's multi-brand strategy while laying a solid foundation to reach development targets over the next five years. In 2020, we insist on being "Reconstruction of Mind", to "Promote High-quality Growth" as priority. The ANTA will continue to position itself with a value-for-money concept and strategic focus, bolstering its online brand awareness and position in the market. FILA will continue to carry high-end leading brands in the sportswear market, transforming from high-speed growth to high-quality growth. Other brands will be coordinated under the Group's strategy of synergistic incubation, adopting more flexible business models to apply for different levels of progress.

Leverage digitalization and big data to deliver "Customer-Centric" products and experience with "Value Retailing"

Improving store efficiency and management, meeting consumer demands by Omni-Channel Strategy
Target number of stores by the end of 2020:

ANTA and ANTA KIDS: 10,200-10,300
FILA, FILA KIDS, FILA FUSION: 2,000-2,100
DESCENTE: 160-170
KOLON SPORT: 160-170

In addition, we will further enhance our digital capacity. In 2020, we will conduct CRM platform construction for our omni-channel and multi-brand features, enhancing consumer stickiness and achieving precise marketing. At the same time, each business unit will fully empower the digital breakthroughs of our three major brand categories, opening up digital operations with the entire process and full value chain in order to improve refined management and operational capabilities. In terms of retail channels, we will re-construct our growth model, effectively utilizing various data to strengthen our offline business management, and rebuild our traditional e-commerce platform into a categorized digital consumer platform. We will be shifting from viewership traffic operations to consumer operations with a focus on the depth and width of interactivity, and pursuing high-quality growth.

Although the Pandemic will inevitably affect the financial performance of the industry and us in the first half of 2020, by the second half of 2020 at the earliest, the situation is expected to return to normal. However, since the early stage of the Pandemic outbreak, we have already communicated with distributors to follow closely their sales performance, to review their trade fair orders made in coming quarters in light of the actual situation as well as to take appropriate measures to minimize any potential risk. We believe that as the industry leader, the Group has the risk resistance capacity and proven track record, hence, the impact of the Pandemic to us is controllable. In addition, to cope with the black swan event, companies not only need to perform supreme execution capabilities with responsive and decisive manner, capital strength and operational efficiency but also are the keys to outperform the market. We expect market consolidation may accelerate, in which it will be beneficial to the leading brands to further gain market share. At the same time, we believe that the people's pursuit of a healthy and hygienic lifestyle will continue to grow; as such, we see the sportswear industry's foundation continually improving. We remain confident in the long-term development of the Group.

Surefire Path towards Globalization

During the year, investor consortium acquired Amer Sports, and quickly compiled its future growth plan. We will work with other investors of the consortium and management to accelerate the development of Amer Sports. We see this as the path towards globalization, as well as the path towards victory. We will also establish our global retail headquarters in Shanghai to accelerate the pace of globalization.

Amer Sports has a future growth plan in mind. Under the strategy that utilizes big brands, big coming channels and big markets, Amer Sports will focus on shoes and apparel, direct-to-consumer business, and Chinese business. Meanwhile, Amer Sports will develop its international brands, including Arc'teryx, Salomon, and Wilson, into a "billion-euro brand", to achieve the effect of "1 + 1 > 2", where the sum of these brands will be greater than its parts. As a result, we believe ANTA Sports and Amer Sports will be able to continue to provide better performance, experience and higher satisfaction of sports products to consumers, sports enthusiasts and professionals around the world.

We are also actively planning the 2022 Olympic and Paralympic Winter Games, providing the equipment support and R&D for the Chinese national team. We are taking practical actions to implement expectations from President Xi Jinping, promoting winter sports out of Northeast China. The aforementioned sports events will boost growth and bring unprecedented business opportunities to the sportswear market over the next few years. As a leading company in the sporting goods industry, we will be well-prepared to seize opportunities.

“Epiphany”, “Awareness” and “Awakening”

In order to become a world-class sporting goods company, we must make effective use of global talents. We will continue to benchmark with outstanding companies in China and overseas, empower all employees through innovation, improve our organizational efficiency, strengthen cadre management, and integrate global resources to serve consumers.

By the end of 2020, we will optimize ANTA stores to improve store quality. We expect the total number of ANTA stores (including ANTA KIDS standalone stores) in Mainland China to become 10,200 to 10,300, and the total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) in Mainland China, Hong Kong, Macao and Singapore to reach 2,000 to 2,100. Meanwhile, DESCENTE is expected to have 160 to 170 stores in Mainland China by the end of 2020. KOLON SPORT is expected to have a total of 160 to 170 stores by the end of 2020.

Looking back on the history of enterprise development in the past 30 years, we have experienced a number of various challenges. For example, when the inventory crisis occurred in the industry in 2012 and 2013, we swiftly responded and became the first company in the industry to bounce back from the bottom and record growth. It is precisely because of challenges in life that people are forced to grow, climbing ever upwards to seek better landscapes. Our road to development is the same, and as the old saying goes: “No pain, no gain.” As long as we maintain our confidence, we will be able to embark on the glorious road towards becoming a Chinese brand that stands out in the world with high-quality development.

Xin Zhilei

A renowned Chinese actress

Profit attributable to equity shareholders

+30.3%

to RMB **5.34** billion

Margin of profit attributable to equity shareholders

15.8%

INVESTORS INFORMATION

Share Information

Listing Day:	10 July 2007
Board lot size:	1,000 shares
Numbers of shares outstanding:	2,701,947,000 shares (As at 31 December 2019)

Stock Codes

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

Dividends

HK cents	2015	2016	2017	2018	2019
Interim dividend	30	34	41	50	31
Final dividend	30	34	41	28	36
Special dividend	8	8	16	–	–

Important Dates

24 March 2020	Annual results announcement
11 May 2020	Annual general meeting
15 May 2020 4:30 p.m.	Record date of 2019 final dividend
On or about 27 May 2020	Payment date of 2019 final dividend
31 December 2020	Financial year end date of 2020

IR Contacts

If you have any inquiries, please contact:

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Telephone: (852) 2116 1660   Fax: (852) 2116 1590   E-mail: ir@anta.com.hk

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

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2019.

Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has office at 16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong. The Group's principal place of business is in the PRC.

Principal Activities and Business Review

The principal activities of the Group are branding, production, design, procurement, supply chain management, wholesale and retail of branded sporting goods including footwear, apparel and accessories. The Group also has an investment in a joint venture, the principal activity of which is operating Amer Sports' business. Please refer to note 16 to the financial statements for more details of Amer Sports business.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 24 to 69 of the annual report. This discussion forms part of this report of the Directors.

The analysis of the principal activities of the Group during the financial year are set out in note 1 to the 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:

	2019 Percentage of the Group's total		2018 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**2.6%**		3.0%	
Five largest customers in aggregate	**9.6%**		12.8%	
The largest supplier		**3.0%**		3.5%
Five largest suppliers in aggregate		**13.7%**		15.7%

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 own more than 5% of the number of issued Shares) 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 last five financial years is set out on pages 12 and 13 of the annual report.

Financial Statements

The profit of the Group for the year ended 31 December 2019 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 98 to 157 of the annual report.

Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB5,344,148,000 (2018: RMB4,102,855,000) have been transferred to the reserves. Other movements in reserves are set out in note 28 to the financial statements.

Recommended Dividend

An interim dividend of HK31 cents per ordinary share (2018: HK50 cents per ordinary share) was paid on 20 September 2019.

The Directors now recommend the payment of a final dividend of HK36 cents per ordinary share (2018: final dividend of HK28 cents per ordinary share) in respect of the year ended 31 December 2019.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB36,576,000 (2018: RMB18,515,000).

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment, right-of-use assets, construction in progress and intangible assets) during the financial year are set out in notes 10 to 14 to the financial statements.

Bank Loans and Bills Payable (Financing in Nature)

Particulars of bank loans and bills payable (financing in nature) of the Group as at 31 December 2019 are set out in notes 22 and 23 to the financial statements respectively.

Share Capital

Details of the movements in share capital of the Company during the financial year are set out in note 27 to the financial statements.

Purchases, Sales and Redemptions of Listed Securities

During the financial year, the trustee of the Share Award Scheme purchased 8,555,000 Shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB444,688,000.

Save as above, 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) (RC)*
Mr. Ding Shijia *(Deputy Chairman)*
Mr. Lai Shixian *(NC, RMC)*
Mr. Wu Yonghua
Mr. Zheng Jie

Non-Executive Director
Mr. Wang Wenmo (re-designation as Non-Executive Director with effect from 1 March 2019)

Independent Non-Executive Directors
Mr. Yiu Kin Wah Stephen *(AC, RC, NC, RMC)*
Mr. Lu Hong-Te (resignation with effect from 1 March 2019) *(AC, RC, NC)*
Mr. Dai Zhongchuan *(AC, RC, NC, RMC)*
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019) *(AC)*

AC: Audit Committee
RC: Remuneration Committee
NC: Nomination Committee
RMC: Risk Management Committee

Details of the Directors' biographies have been set out on pages 93 and 94 of the annual report.

Mr. Lu Hong-Te has tendered his resignation as an Independent Non-Executive Director of the Company with effect from 1 March 2019 due to the need to focus on his other businesses. Mr. Lu has confirmed that there is no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or Hong Kong Stock Exchange. The Board would like to express its sincere gratitude to Mr. Lu for his invaluable contributions to the Company during the tenure of his service as an Independent Non-Executive Director.

In accordance with article 87 of the Company's articles of association, Mr. Lai Shixian, Mr. Wu Yonghua and Mr. Wang Wenmo will retire from office 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, including those 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 2019, 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"):

Interests in Shares and underlying Shares and associated corporations

Name of Directors	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of shares interested	Number of underlying Shares interested(2)	Approximate percentage of interest in such corporation(1)
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,659,446,000 (L)(3)	–	61.42%
	Anta International	Founder of a discretionary trust	4,144 (L)(3)	–	34.50%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,651,000,000 (L)(4)	–	61.10%
	Anta International	Founder of a discretionary trust	4,084 (L)(4)	–	34.00%
Mr. Lai Shixian	Anta International	Beneficiary of a discretionary trust/ Interest of spouse	1,171 (L)(5)	–	9.75%
	Company	Beneficiary of a trust (other than a discretionary interest)	–	1,000,000 (L)	0.04%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141 (L)(6)	–	9.50%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601 (L)(7)	–	5.00%
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	–	0.03%
Mr. Yiu Kin Wah Stephen	Company	Other	20,000 (L)(8)	–	0.00%

(L) — Long Position

Notes:

(1) As at 31 December 2019, the number of outstanding ordinary shares of the Company and of Anta International were 2,701,947,000 and 12,012, respectively.

(2) The interests in underlying Shares represent the interests in awarded share granted pursuant to the Company's share award scheme, details of which are set out in the section entitled "Share Award Scheme" below.

(3) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.07% of the issued Shares as at 31 December 2019, and 9,446,000 Shares were directly held by Shine Well (Far East) Limited ("Shine Well"). 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 Mr. Ding Shizhong and his family members. Mr. Ding Shizhong as founder and one of the beneficiaries 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) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.07% of the issued Shares as at 31 December 2019, and 1,000,000 Shares were directly held by Talent Trend Investment Limited ("Talent Trend"). 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 Mr. Ding Shijia and his family members. Mr. Ding Shijia as founder and one of the beneficiaries 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 Anta International were held through Gain Speed Holdings Limited, which directly held 1,171 shares of Anta International, representing 9.75% of the issued share capital of Anta International as at 31 December 2019. The entire issued share capital of Gain Speed Holdings Limited is held by Spring Star Assets Limited, 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 Mr. Lai Shixian, Ms. Ding Yali and their family members. Ms. Ding Yali as the founder of the DYL Family Trust is deemed to be interested in the 1,171 shares of Anta International held by Gain Speed Holdings Limited. Mr. Lai Shixian as one of the beneficiaries of the DYL Family Trust and as the spouse of Ms. Ding Yali is deemed to be interested in the 1,171 shares of Anta International held by Gain Speed Holdings Limited.

(6) The interests of Mr. Wang Wenmo in Anta International were held through Fair Billion Development Limited, which directly held 1,141 shares of Anta International, representing 9.50% of the issued share capital of Anta International as at 31 December 2019. 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 Mr. Wang Wenmo and his family members. Mr. Wang Wenmo as the founder and one of the beneficiaries of the WWM Family Trust is deemed to be interested in the 1,141 shares of Anta International held by Fair Billion Development Limited.

(7) The interests of Mr. Wu Yonghua in Anta International were held through Spread Wah International Limited, which directly held 601 shares of Anta International, representing 5.00% of the issued share capital of Anta International as at 31 December 2019. 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 the founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.

(8) The interests of Mr. Yiu Kin Wah Stephen were held by his family member as at 31 December 2019. Mr. Yiu Kin Wah Stephen, having a general power of attorney of a family member's securities account, is deemed to be interested in the 20,000 Shares held by his family member.

Save as disclosed above, as at 31 December 2019, 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 2019, 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:

Interests in Shares/underlying Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of interest in the Company
HSBC Trustee	Trustee[1]	1,660,456,000 (L)	61.45%
Anta International	Beneficial owner[2]	1,373,625,000 (L)	50.84%
	Interest in controlled corporation[2]	276,375,000 (L)	10.23%
Allwealth Assets Limited	Interest in controlled corporation[1]	1,651,000,000 (L)	61.10%
Shine Well	Interest in controlled corporation[1]	1,650,000,000 (L)	61.07%
	Beneficial owner[1]	9,446,000 (L)	0.35%
Talent Trend	Interest in controlled corporation[1]	1,650,000,000 (L)	61.07%
	Beneficial owner[1]	1,000,000 (L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation[1]	1,659,446,000 (L)	61.42%
Anda Holdings	Beneficial owner	160,875,000 (L)	5.95%

(L) — Long Position

Notes:

(1) The interests of HSBC Trustee in the Company were held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 50.84%, 5.95%, 4.27%, 0.35% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 10,000 Shares as trustee for persons unrelated to the substantial shareholders.

HSBC Trustee was the trustee of the DSZ Family Trust, the DSJ Family Trust, the WWM Family Trust, the WYH Family Trust, the KYF Family Trust, the DYL Family Trust and the DHM Family Trust, 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 1,650,000,000 Shares held by Anta International. As at 31 December 2019, Anta International directly held 1,373,625,000 Shares. Anta International held the entire issued share capital of each of Anda Holdings and Anda Investments and therefore was deemed to be interested in 160,875,000 Shares and 115,500,000 Shares directly held by Anda Holdings and Anda Investments, respectively. Accordingly, HSBC Trustee, Top Bright Assets Limited, Allwealth Assets Limited, Shine Well and Talent Trend were indirectly interested in the 1,650,000,000 Shares held through Anta International. 9,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright Assets Limited were also deemed to be interested in the 9,446,000 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.

(2) 1,373,625,000 Shares were directly held by Anta International. 160,875,000 Shares and 115,500,000 Shares were directly held by Anda Holdings and Anda Investments, respectively. Each of Anda Holdings and Anda Investments was wholly-owned by Anta International and therefore was a controlled corporation of Anta International. Accordingly, Anta International was deemed to be interested in the 160,875,000 Shares held by Anda Holdings and the 115,500,000 Shares held by Anda Investments.

Save as disclosed above, as at 31 December 2019, 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.

Connected Transactions

The Group conducted the following transactions with certain connected persons (as defined in the Listing Rules) ("connected persons") during the financing year:

1. **Subscription of new Shares by Anamered Investments Inc, (the "Subscriber")**
   On 30 May 2019, the Company and the Subscriber entered into a subscription agreement pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 15,842,000 new Shares ("Subscription Shares") in cash at subscription price of HK$49.11 per Share (the "Subscription"). The Subscription was completed on 28 June 2019. The gross and net proceeds after deducting all relevant expenses were RMB691,929,000.

The Board considers the Subscription represents a valuable opportunity for the Company to bring in renowned investor with strong financial resources and an extensive business network. Through the Subscription, the cooperation with the Subscriber will bring strategic value to the Group in relation to international business development, which in turn creates further alignment with the important partner in Amer Sports who shares a common vision with the Group on the expansion of the sportswear consumer market.

The Subscriber is a substantial shareholder of Amer Sports Holding (Cayman) Limited ("Mascot JVCo", formerly know as Mascot JVCo (Cayman) Limited). As at the date of the subscription agreement, the Company indirectly through ANLLIAN Sports owned 57.95% interests of Mascot JVCo, as such Mascot JVCo is a subsidiary of the Company under the Listing Rules. Therefore the Subscriber is a connected person of the Company at the subsidiary level. Accordingly, the Subscription and the transaction contemplated under the subscription agreement constitutes a connected transaction of the Company.

For details of the Subscription, please refer to the announcements of the Company dated 30 May 2019 and 28 June 2019 and the relevant circular dated 26 June 2019.

2. Disposal of interests in a Joint Venture

On 12 November 2019, the Group entered into certain share purchase agreements, resulting in: (i) disposal of all 50,012 shares of class B shares ("Class B Shares", which are non-voting shares) of ANLLIAN HOLDCO (BVI) LIMITED (a wholly-owned subsidiary of the Group as at the date of the share purchase agreements and having 5.0012% equity interests of Mascot JVCo) to 4 investors ("Anllian SPV Purchasers", 2 of which are connected persons of the Company as explained below) at a total consideration of approximately EUR133,300,000 (equivalent to RMB1,042,219,000) ("Anllian SPV Share Purchase Agreements"); and (ii) disposal of 0.2505% equity interest in Mascot JVCo to Baseball Investment Limited ("FountainVest SPV", one of the other investors of Mascot JVCo) at consideration of approximately EUR6,700,000 (equivalent to RMB52,385,000) ("JVCo Share Purchase Agreement") (i.e. disposing 5.0012% economic interest and directly disposing 0.2505% equity interest respectively in JVCo with total consideration of approximately EUR140,000,000 (equivalent to RMB1,094,604,000) by the Group). The purchase price under each of the Anllian SPV Share Purchase Agreements and JVCo Share Purchase Agreement was arrived at after arm's length negotiations between the Company and the Anllian SPV Purchasers and FountainVest SPV respectively based on the acquisition cost of all the issued and outstanding shares of Amer Sports and the relevant fees incurred relating to the acquisition.

After balancing considerations including the opportunity to bring onboard other investors with experience in retail industry and to align the interests of the relevant Directors and the senior management team of the Group with the success of Amer Sports, the Board believe the transactions under the Anllian SPV Share Purchase Agreements and JVCo Share Purchase Agreement would improve the Group's balance sheet while, in respect of Anllian SPV Share Purchase Agreements, retaining the voting rights of such disposed interests.

In respect of the Anllian SPV Share Purchase Agreements, in which (i) 26,733 Class B Shares (representing 53.453% of the total Class B Shares) were disposed to Super Grand Global Limited ("Super Grand") at consideration of approximately EUR71,200,000 (equivalent to RMB556,684,000) ("Super Grand Share Purchase Agreement"); and (ii) 8,260 Class B Shares (representing 16.516% of the total Class B Shares) to Blossom Fortune Investment Limited ("Blossom Fortune") at consideration of approximately EUR22,000,000 (equivalent to RMB172,009,000) ("Blossom Fortune Share Purchase Agreement").

The issued share capital of Super Grand is beneficially owned by four Executive Directors, namely Mr. Ding Shizhong, Mr. Lai Shixian, Mr. Wu Yonghua and Mr. Zheng Jie as to 29.8%, 14.0%, 28.1% and 28.1% respectively and therefore Super Grand is a connected person. Blossom Fortune is set up for the purpose of acquisition of Class B Shares which shall be held for the benefits of certain members of management team of the Group and Mr. Lai Shixian is the sole director and sole shareholder of Blossom Fortune as of the date of the Blossom Fortune Share Purchase Agreement. Therefore Blossom Fortune is also a connected person. Furthermore, before the execution of JVCo Share Purchase Agreement, Mascot JVCo was owned as to 15.7695% by FountainVest SPV. Given Mascot JVCo is as a subsidiary of the Company under the Listing Rules, FountainVest SPV is therefore also a connected person. As such, the entering into of the Super Grand Share Purchase Agreement, the Blossom Fortune Share Purchase Agreement, and the JVCo Share Purchase Agreement by the Group and each of Super Grand, Blossom Fortune and FountainVest SPV, respectively, constitutes connected transaction of the Company.

The transactions under Super Grand Share Purchase Agreement, Blossom Fortune Share Purchase Agreement and JVCo Share Purchase Agreement were completed during the financial year.

For details of the transactions contemplated under the Super Grand Share Purchase Agreement, the Blossom Fortune Share Purchase Agreement and the JVCo Share Purchase Agreement, please refer to the announcement of the Company dated 12 November 2019.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 32 to the 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 and the Group 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 20 December 2018.

1. **Packaging Material Supply Agreement with Quanzhou Anda Packaging Co., Ltd. (“Quanzhou Anda”)**

   On 20 December 2018, ANTA China and Quanzhou Anda (and for and on behalf of certain entities) entered into an agreement (“Packaging Material Supply Agreement”) for a term of 3 years from 1 January 2019 to 31 December 2021 in relation to the supply of paper packaging materials, including but not limited to, cardboard cases, paper bags and shoe boxes, from Quanzhou Anda (and those entities) to the Group from time to time on normal commercial terms which are no less favourable than those terms made available to the Group from independent third parties. Those entities are entities or corporations incorporated in the PRC owned and/or controlled by Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian or Mr. Wang Wenmo, each a Director, and/or each of their respective associates, which are principally engaged in the manufacture and sales of packaging materials in the PRC (“Material Supplies Entities”).

   Under the Packaging Material Supply Agreement, the prices for paper packaging materials shall be agreed in arm’s length negotiation between Quanzhou Anda (and/or the Material Supplies Entities) and the Group from time to time, and shall be comparable to and no less favourable than market prices of similar paper packaging materials offered by independent suppliers to the Group. The general credit period shall be 30 to 60 days, which shall be comparable to and no less favourable than such terms offered by other independent suppliers of similar paper packaging materials to the Group.

   Quanzhou Anda and the Material Supplies Entities are owned and/or controlled by Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian or Mr. Wang Wenmo, each a Director, and/or each of their respective associates is and are therefore connected persons of the Company. The transactions contemplated under the Packaging Material Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

   During the financial year, the Group’s purchase of paper packaging materials from Quanzhou Anda and the Material Supplies Entities amounted to RMB91,346,000 (2018: RMB82,634,000).

2. **Master Services Agreement with Mr. Ding Shijia**

   On 20 December 2018, the Company (for and on behalf of the relevant member companies of the Group) entered into an agreement with Mr. Ding Shijia (for and on behalf of certain entities) for a term of 3 years from 1 January 2019 to 31 December 2021 for the provision of certain services by those entities to the Group (“Master Services Agreement”). Those entities are entities or corporations which are directly or indirectly controlled by Mr. Ding Shijia and/or collectively with his associates (including without limitation his family members and/or close relatives) or in which any of the above persons had an interest (“Relevant Entities”), and those services are the leasing of transportation vehicles, land and properties (including leases of land, factory premises, warehouses, staff quarters and offices), and provision of warehouse management services and logistic services by the Relevant Entities to the Group subject to the terms and conditions of the Master Services Agreement (“Relevant Services”).

   Under the Master Services Agreement, the Relevant Entities shall provide the Relevant Services to the Group, as may be required by the Group from time to time during the term of the Master Services Agreement, at prevailing market price with reference to the nature of the relevant land, properties and transportation vehicles and the scope of the Relevant Services provided to the Group by the Relevant Entities (including location and area of the property, ancillary facilities and equipment, and transportation network). The service fees for the Relevant Services shall be agreed and determined on arm’s length basis between the relevant member companies of the Group and the Relevant Entities from time to time, which shall be comparable to and no less favourable than (i) the fair market rent or market prices of similar Relevant Services offered by independent third parties suppliers to the Group; and (ii) the service fees of similar Relevant Services provided by the Relevant Entities to third parties other than the Group. The general credit period shall be 30 to 60 days, or such other credit period as agreed in the specific lease agreement or service contract ancillary to the Master Services Agreement.

   Mr. Ding Shijia (an Executive Director and a substantial shareholder of the Company) is a connected person of the Company. The Relevant Entities, being companies controlled by Mr. Ding Shijia, his family members and/or and close relatives, are associates of Mr. Ding Shijia under Rule 14A.12 of the Listing Rules, and are therefore connected persons of the Company. The transactions contemplated under the Master Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

   During the financial year, service fees for the provision of Relevant Services to the Group by Mr. Ding Shijia (for and on behalf of the Relevant Entities) amounted to RMB19,868,000 (2018: RMB20,082,000).

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 or better; and

(3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the Company and the Shareholders 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 (Revised) *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 his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed above, no transaction, arrangement or 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.

Directors' Remuneration

The Company's policy on remuneration is to maintain fair and competitive packages based on business needs and industry practice. For determining the remuneration packages of each Director, market rates and factors such as each Director's workload and required commitment will be taken into account. In addition, factors comprising economic and market situations, individual contributions to the Group's results and development as well as individual's potential are considered when determining the remuneration packages of Executive Directors.

Arrangements to Purchase Shares or Debentures

Save as disclosed under the sections entitled "Share Option Schemes" and "Share Award Scheme" below, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executives or any of their spouse or children under the age of 18 to acquire benefits by means of the acquisitions of shares or debentures of the Company or any other body corporate.

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 which is required to be disclosed under Rule 8.10(2) of the Listing Rules.

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 Directors (including 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 schemes 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 schemes are set out in note 24 to the financial statements.

Share Option Schemes

Share Option Scheme I

The Company has adopted a share option scheme ("Share Option Scheme I") pursuant to the shareholders' written resolution passed on 11 June 2007, which is valid for 10 years. The purpose of the Share Option Scheme I was to motivate Eligible Persons (as defined in the Share Option Scheme I) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined in the Share Option Scheme I), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme I to:

(a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(b) a director or proposed director (including an independent non-executive director) of any member of the Group;

(c) a direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate of any of the foregoing persons.

Subject to the terms of the Share Option Scheme I, the Board shall be entitled at any time within 10 years after the adoption date to offer the grant of an option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme I) determine (provided the same shall be a board lot for dealing in the Shares on the Hong Kong Stock Exchange or an integral multiple thereof).

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

An offer of the grant of an option shall remain open for acceptance by the Eligible Persons for a period of 28 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme I. An option shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.0 by way of consideration for the grant thereof is received by the Company on or before 30 days after the offer date. Such remittance shall in no circumstances be refundable.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme I and any other schemes of our Group shall not in aggregate exceed 10% of the issued shares of the Company as at the Listing Date (i.e. 240,000,000 Shares). Also, the maximum number of Shares that may be granted under the Share Option Scheme I 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 I at any time during a period as determined by the Board, which must not be more than 10 years from the date of grant.

As at 31 December 2019, the total number of Shares which may be issued upon the exercise of all outstanding options granted under the Share Option Scheme I is 2,582,000, representing 0.10% of the issued Shares.

Pursuant to a resolution passed by shareholders in the AGM dated 6 April 2017, the Share Option Scheme I was terminated. All outstanding share options granted under the Share Option Scheme I shall continue to be valid and exercisable in accordance with the Share Option Scheme I.

The movement of number of options under the Share Option Scheme I during the financial year were as follow:

	Number of options									
Name or category of participant	As at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2019	Exercise price per Share	Date of grant	Vesting period	Exercise period
Director										
Mr. Zheng Jie	400,000	–	(400,000)[1]	–	–	–	HK$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	400,000	–	(400,000)	–	–	–				
Other employees (including ex-employees)										
In aggregate	3,382,900	–	(800,900)[2]	–	–	2,582,000	HK$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	3,382,900	–	(800,900)	–	–	2,582,000				
Total	3,782,900	–	(1,200,900)	–	–	2,582,000				

Notes:

(1) *The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$77.40.*

(2) *The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$57.88.*

Share Option Scheme II

Pursuant to a resolution passed by the shareholders of the Company in the AGM dated 6 April 2017, to enable the continuity of the terminated Share Option Scheme I, the Company adopted a new share option scheme ("Share Option Scheme II") which has similar terms as Share Option Scheme I. The purpose of the Share Option Scheme II is to motivate Eligible Persons (as defined in the Share Option Scheme II) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined in the Share Option Scheme II), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

The Board may, at its absolute discretion, offer options to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme II to:

(a) any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(b) a director or proposed director (including an independent non-executive director) of any member of the Group;

(c) a direct or indirect shareholder of any member of the Group;

(d) a supplier of goods or services to any member of the Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(g) an associate of any of the foregoing persons.

Subject to the terms of the Share Option Scheme II, the Board shall be entitled at any time within 10 years after the adoption date to offer the grant of an option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme II) determine (provided the same shall be a board lot for dealing in the Shares on the Hong Kong Stock Exchange or an integral multiple thereof).

The exercise price in respect of any particular option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option) but the exercise price must be at least the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

An offer of the grant of an option shall remain open for acceptance by the Eligible Persons for a period of 30 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme II. An option shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favour of the Company of HK$1.0 by way of consideration for the grant thereof is received by the Company on or before 30 days after the offer date. Such remittance shall in no circumstances be refundable.

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme II and any other schemes of the Group shall not in aggregate exceed 10% of the issued shares of the Company as at the adoption date of the scheme (i.e. 267,753,910). The Company may at any time as the Board may think fit seek approval from its Shareholders in general meeting to refresh the limit in accordance with the terms of Shares Option Scheme II. Also, the maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme II 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 II at any time during a period as determined by the Board, which must not be more than 10 years from the date of grant. As at 31 December 2019, the remaining life of the Share Option Scheme II is around 7 years.

No options were granted, exercised, lapsed or cancelled under the Share Option Scheme II during the financial year. As at 31 December 2019, there were no outstanding options under the Share Option Scheme II.

Share Award Scheme

The Company adopted the share award scheme (the "Share Award Scheme") on 19 October 2018 ("Adoption Date") in which employees of the Group will be entitled to participate, and shall be valid and effective for a term of 10 years commencing on the Adoption Date. The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Pursuant to the Share Award Scheme, existing shares of the Company will be purchased by the professional trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the scheme from the open market out of cash contributed by the Group and be held in trust for selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the scheme.

The Board shall not make any further award of Shares to selected employees which will result in the number of the Shares awarded by the Board under the Share Award Scheme exceeding 10% of the number of the issued shares of the Company from time to time.

Pursuant to the Share Award Scheme, awarded shares held by the trustee(s) upon the trust and which are referable to a selected employee shall not vest in the selected employee if, amongst others, the selected employee has been terminated by the Group because of, amongst others, (i) dishonesty or serious misconduct; (ii) incompetence or negligence in the performance of his duties; (iii) becoming bankrupt; and (iv) being convicted for any criminal offence involving his integrity or honesty.

During the financial year, pursuant to the Share Award Scheme, 8,555,000 ordinary shares (2018: Nil) in the Company were purchased on the open market by the trustee. Total consideration paid during the financial year, including all relevant expenses, were RMB444,688,000 (2018: Nil).

On 5 November 2019, the Company granted an aggregate of 11,170,000 awarded shares to 124 selected employees (the "Grantee") of which 1,000,000 awarded shares were granted to Mr. Lai Shixian, an Executive Director of the Company. Subject to the scheme rules and the fulfilment of the vesting conditions as set out in the grant notice to each Grantee, the awarded shares held by the trustee shall vest in the respective Grantee, and the trustee shall cause the awarded shares to be transferred to such Grantee on the vesting date (or as soon as practicable after the vesting date), or the trustee shall effect the sale of such awarded shares at the prevailing market price on the Hong Kong Stock Exchange on behalf of the Grantee and transfer the sale proceeds from the vested awarded shares (after deduction of applicable tax and other expenses) to the Grantee on the vesting date (or as soon as practicable after the vesting date), in accordance with the terms of the scheme rules and the trust deed.

During the financial year, nil awarded shares (2018: Nil) were vested under the Share Award Scheme. As at 31 December 2019, the trustee of the Share Award Scheme held a total of 8,555,000 Shares (2018: Nil).

Corporate Governance

For the year ended 31 December 2019, save as disclosed in the Corporate Governance Report on pages 83 to 92 of the annual report, all the code provisions set out in the Code (as defined in the Corporate Governance Report) 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 to the Company 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 2019 and at any time up to the latest practicable date.

Auditor

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

Ding Shizhong
Chairman

Hong Kong, 24 March 2020

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 strives 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.

Save as disclosed below, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "Code") during the financial year. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

(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 management team. The Directors make decisions objectively in the interests of the Company. Currently, the Board comprises 9 Directors, including 5 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors:

Executive Directors

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

Non-Executive Director

Mr. Wang Wenmo (re-designation as Non-Executive Director with effect from 1 March 2019)

Independent Non-Executive Directors

Mr. Yiu Kin Wah Stephen
Mr. Lu Hong-Te (resignation with effect from 1 March 2019)
Mr. Dai Zhongchuan
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019)

Their biographical details and relationships (some of the Directors are related to each other) are set out in the section entitled "Directors, Company Secretary 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 established written guideline ("Code for Securities Transactions") no less exacting than the Model Code for the Directors and relevant employees (as defined in Appendix 14 to the Listing Rules) in respect of their dealings in the Company's securities. 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 regarding securities by the Directors during the financial year.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separated and should not be performed by the same individual. During the financial year, the roles of the Chairman and the Chief Executive Officer 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 both of the roles of Chairman and Chief Executive Officer with 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 management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 5 Executive Directors, 1 Non-Executive Director 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.

Non-Executive Directors

All of Non-Executive Directors (including 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.

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.

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.

Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. The committee may, as it considers appropriate, nominate such number of candidates to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

In assessing the suitability of a proposed candidate, the Nomination Committee would consider factors including:

(a) reputation for integrity;

(b) experience in sportswear industry and/or business strategy, management, legal and financial aspects;

(c) whether the proposed candidate is able to assist the Board in effective performance of its responsibilities;

(d) the perspectives and skills that the proposed candidate is expected to bring to the Board;

(e) diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;

(f) commitment in respect of available time and relevant interest; and

(g) in the case of selection for Independent Non-Executive Directors, the independence of the proposed candidate.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

The Nomination Committee shall call a meeting and invite nominations of candidates from Board members if any, for consideration by the committee prior to its meeting. Alternatively, such nomination may be approved by the committee by way of written resolutions. For filling a casual vacancy, the committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the Board for its consideration and recommendation. Subject to and pursuant to the articles of association of the Company, any one or more Shareholder can serve a notice of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Committee's nomination. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

Board Diversity Policy

The Board adopted the board diversity policy ("Board Diversity Policy") in accordance with the requirement set out in the Codes. Such policy aims to set out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates shall be based on a range of diversity perspectives, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board. The Nomination Committee monitors, from time to time, the implementation of the policy, and reviews, as appropriate, the policy to ensure the effectiveness of the policy. The Nomination Committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each 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. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

During the financial year, the Directors participated in the following trainings:

	Types of Training
Executive Directors	
Mr. Ding Shizhong	A, B
Mr. Ding Shijia	A, B
Mr. Lai Shixian	A, B
Mr. Wu Yonghua	A, B
Mr. Zheng Jie	A, B
Non-Executive Director	
Mr. Wang Wenmo (re-designation as Non-Executive Director with effect from 1 March 2019)	B
Independent Non-Executive Directors	
Mr. Yiu Kin Wah Stephen	A, B
Mr. Lu Hong-Te (resignation with effect from 1 March 2019)	A, B
Mr. Dai Zhongchuan	A, B
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019)	A, B

A: attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics
B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

Board Committees

The Board has established Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and Hong Kong Stock Exchange. 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 ensuring the establishment and compliance with the internal control system of the Company, the compliance with the applicable accounting principles and practices, any applicable laws and the listing rules of the stock exchange on which the shares of the Company are listed, and liaison among shareholders, management, certified independent auditor and internal auditor of the Group, etc. The Audit Committee meets regularly with the Company's external auditor to discuss the audit process and accounting issues (and in the absence of management if appropriate). The terms of reference of the Audit Committee are in line with the code provisions of the Code. Currently, members of the Audit Committee comprise Mr. Yiu Kin Wah Stephen (chairman), Mr. Mei Ming Zhi and Mr. Dai Zhongchuan, all of whom are Independent Non-Executive Directors.

To comply with the requirements under the Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities to the Audit Committee to develop, review and monitor the policies and practices on corporate governance of the Group and make recommendations to the Board, to review and monitor the Company's policies and practices on the legal and regulatory compliance, to review and monitor the code of conduct and ethical behavior applicable to the Directors and employees and the training and continuous professional development of Directors and senior management, and to review the Company's compliance with the Code and disclosures in the corporate governance report.

During the financial year, the Audit Committee considered the annual results of the Group for the year ended 31 December 2018 and the interim results of the Group for the 6 months ended 30 June 2019 as well as the reports prepared by the external auditor relating to 2019 annual audit and interim review plans and major findings in the course of audit/review. In addition, the Audit Committee reviewed the Company's corporate governance practice, including the compliance of the Code and the regulatory and statutory requirements, and the disclosure in the corporate governance report.

Remuneration Committee

The Company has adopted the model whereby the Remuneration Committee determines with delegation from the Board, the remuneration packages of individual Executive Directors and senior management. The Remuneration Committee is also responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all directors of the Company and senior management of the Group and other matters relating to remuneration. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that their remuneration and compensation are reasonable. The terms of reference of the Remuneration Committee are in line with the code provisions of the Code. Currently, members of the Remuneration Committee comprise Mr. Yiu Kin Wah Stephen (chairman), Mr. Dai Zhongchuan, both being Independent Non-Executive Directors, and Mr. Ding Shizhong, an Executive Director.

During the financial year, the Remuneration Committee reviewed the remuneration packages of the Executive Directors and senior management for the year ended 31 December 2018, approved the adjustment of remuneration package of Mr. Zheng Jie, recommended the remuneration packages of Mr. Mei Ming Zhi to the Board as an Independent Non-Executive Director, approved the grant of an aggregate of 11,170,000 awarded shares under Share Award Scheme (including 1,000,000 awarded shares granted to Mr. Lai Shixian, an Executive Director) and recommended the adjustment of remuneration package of Mr. Yiu Kin Wah Stephen to the Board for approval.

Nomination Committee

The Nomination Committee is responsible for determining the nomination policy and recommending suitable candidates to the Board for directorship, after considering the independence and competence of the nominees, to ensure that all nominations are fair and transparent. Please refer to the section headed "Nomination Policy" above for details.

The Nomination Committee also reviews the structure, size and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The terms of reference of the Nomination Committee are in line with the code provisions of the Code. Currently, members of the Nomination Committee comprise Mr. Dai Zhongchuan (chairman), Mr. Yiu Kin Wah Stephen, both being Independent Non-Executive Directors, and Mr. Lai Shixian, an Executive Director. Please refer to the section headed "Board Diversity Policy" above for details.

During the financial year, the Nomination Committee reviewed the structure, size and diversity of the Board, reviewed the existing Nomination Policy and Board Diversity Policy and the implementations, assessed the independence of Independent Non-Executive Directors and the annual confirmations on their independence, reviewed the re-appointment of Directors who retired from office by rotation at the past AGM and offered themselves for re-election and reviewed the renewal of Director's contracts, recommended the appointment as Independent Non-Executive Director of Mr. Mei Ming Zhi to the Board for the approval.

Risk Management Committee

The Risk Management Committee is responsible for assisting the Board to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, to ensure that the Group establishes and maintains appropriate and effective risk management and internal control systems, and to oversee management in the design, implementation and monitoring of the risk management and internal control systems. Currently, members of the Risk Management Committee comprise Mr. Yiu Kin Wah Stephen (chairman), Mr. Dai Zhongchuan, both being Independent Non-Executive Directors, and Mr. Lai Shixian, an Executive Director.

During the financial year, the Risk Management Committee reviewed and approved the internal audit reports and the annual audit plan provided by the internal audit team mentioned below, and considered that the Group's internal audit function is effective. The Risk Management Committee also assessed the risks of certain transactions before further approved by the Board. The annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2019 has been conducted, details of which are set out in the section entitled "(C) Risk Management and Internal Control" below.

Meetings

The Board meets regularly to discuss the overall strategy as well as the operational 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	Risk Management Committee Meeting
No. of meetings held for the year ended 31 December 2019	6	2	4	3	4
Executive Directors					
Mr. Ding Shizhong	5*	N/A	4	N/A	N/A
Mr. Ding Shijia	5*	N/A	N/A	N/A	N/A
Mr. Lai Shixian	5*	N/A	N/A	3	4
Mr. Wu Yonghua	5*	N/A	N/A	N/A	N/A
Mr. Zheng Jie	5*	N/A	N/A	N/A	N/A
Non-Executive Director					
Mr. Wang Wenmo (re-designation as Non-Executive Director with effect from 1 March 2019)	5*	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Yiu Kin Wah Stephen	6	2	1*	3	4
Mr. Lu Hong-Te (resignation with effect from 1 March 2019)	2	1	2	2	N/A
Mr. Dai Zhongchuan	6	2	4	1	4
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019)	4	1	N/A	N/A	N/A

* *Those Directors were considered to have material interest on the matters discussed in the Board/committee meetings and therefore abstained from voting at the meetings.*

All Directors are provided with relevant materials relating to the matters brought before the meetings at least 3 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 the Board's procedures comply 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.

Company Secretary

Mr. Tse Kin Chung is the company secretary of the Company. He is a full time employee of the Group and has good knowledge of the Company's affairs.

During the financial year, Mr. Tse have duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Tse are set out in the section entitled "Directors, Company Secretary and Senior Management" in the annual report.

(B) Financial Reporting

Financial Reporting

The Board acknowledges that it is responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the International Financial Reporting Standards, Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Listing Rules 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 Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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 auditor.

During the financial year, the fee payable to KPMG in respect of its audit services provided to the Group (other than joint venture) was RMB8,754,000 (2018: RMB7,203,000). Fees for non-audit services for the financial year comprise service charges for the following:

	2019 **RMB'000**	2018 RMB'000
Review of interim results	**2,180**	980
Tax advisory (service rendered by KPMG Advisory (China) Limited)	**1,795**	250
Risk management and Internal control review (service rendered by KPMG Advisory (China) Limited)	**630**	600
ESG reporting advisory (service rendered by KPMG Huazhen LLP)	**447**	410
Due diligence and tax planning advisory service for a proposed acquisition (service rendered by KPMG Tax Limited)	**–**	3,217
Assurance services for a proposed acquisition	**–**	900
Other non-audit services	**200**	439
Total	**5,252**	6,796

(C) Risk Management and Internal Control

Goals and Objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Risk Management Committee. The Risk Management Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Risk Management Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2019.

Main features of the risk management and internal control systems

The Group's risk governance structure and the main responsibilities of each level of the structure are summarised below:

Board

- Determines the business strategies and objectives of the Group, and evaluates and determines the nature and extent of risks it is willing to take in achieving the Group's strategic objectives;
- Ensures that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- Oversees management in the design, implementation and monitoring of the risk management and internal control systems.

Risk Management Committee

- Assists the Board to perform its responsibilities of risk management and internal control systems;
- Oversees the Group's risk management and internal control systems on an ongoing basis;
- Reviews the effectiveness of the Group's risk management and internal control systems at least annually, and such review should cover all material controls including financial, operational and compliance control;
- Ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions; and
- Considers major findings on risk management and internal control matters, and reports and makes recommendations to the Board.

Management

- Designs, implements and maintains appropriate and effective risk management and internal control systems;
- Identifies, evaluates and manages the risks that may potentially impact the major processes of the operations;
- Monitors risks and takes measures to mitigate risks in day-to-day operations;
- Gives prompt responses to, and follow up the findings on risk management and internal control matters raised by the internal audit team or the external risk management and internal control review adviser; and
- Provides confirmation to the Board and Risk Management Committee on the effectiveness of the risk management and internal control systems.

Internal Audit Team

- Reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- Reports to the Risk Management Committee the findings of the review and makes recommendations to the Board and management to improve the material systems deficiencies or control weaknesses identified.

Process Used to Identify, Evaluate and Manage Significant Risks

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

The Group has engaged KPMG Advisory (China) Limited as its risk management and internal control review adviser to assist the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2019. Such review is conducted annually. The scope of review was determined and approved by the Risk Management Committee. KPMG Advisory (China) Limited has reported major findings and areas for improvement to the Risk Management Committee. All recommendations from KPMG Advisory (China) Limited are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board and the Risk Management Committee therefore considers that the risk management and internal control systems are effective and adequate.

Internal Audit Function

The Group's internal audit function is performed by an internal audit team, which reports directly to the Risk Management Committee. The team plays an important part in the assessment of the effectiveness of the risk management and internal control systems of the Group and reports directly to the Risk Management Committee on a regular basis.

The team conducts internal audit reviews on material controls and compliance with policies and procedures of the Group at both operational and corporate levels. Plans and tools for corrective actions and control improvement are identified and communicated with operations management to address any issues, non-compliance or deficiencies identified. The team monitors the implementation of its recommendations by the operations management and reports the outcome to the Risk Management Committee.

Whistleblowing Policy

The Company is committed to achieving and maintaining the highest possible standards of openness, probity and accountability. A whistleblowing policy is in place to create a system for the employees and business partners to raise concerns, in confidence, to the Audit Committee and the Board about possible improprieties relating to the Group. The identity of the whistleblower will be treated with the strictest confidence.

Information Disclosure Policy

An information disclosure policy is in place to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Designated reporting channels from different operations informing any potential inside information to designated departments;
- Designated persons and departments to determine further escalation and disclosure as required; and
- Designated persons authorised to act as spokespersons and respond to external enquiries.

(D) Shareholders' Rights and Communications with Shareholders and Investor Relations

Enquiries to the Board

Shareholders are provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, in order to enable them to make any query that they may have with respect to the Company. They can also send their enquiries to the Board through these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the Hong Kong branch share registrar and transfer office of the Company, if they have any enquiries about their Shares and dividends. The contact details of the Company are set out in the section entitled "Investor Information" in the annual report.

The Company's AGM allows the Directors to meet and communicate with shareholders. The Company ensures that shareholders' views are communicated to the Board. The chairman of the AGM proposes separate resolutions for each issue to be considered. Chairmen of the Board Committees (or any designated members) and the external auditor also attend the AGM to answer questions from shareholders.

Annual General Meeting

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 websites of the Company and the Stock Exchange on the day of the AGM.

The 2019 AGM was held on 9 April 2019. The attendance record of the Directors at the AGM is set out below:

	AGM
Executive Directors	
Mr. Ding Shizhong	1
Mr. Ding Shijia	1
Mr. Lai Shixian	1
Mr. Wang Wenmo	1
Mr. Wu Yonghua	1
Mr. Zheng Jie	1
Non-Executive Director	
Mr. Wang Wenmo	1
Independent Non-Executive Directors	
Mr. Yiu Kin Wah Stephen	1
Mr. Mei Ming Zhi	1
Mr. Dai Zhongchuan	1

Convening Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meeting

Shareholder(s) holding not less than one-tenth of the paid up capital of the Company can make a written requisition to the Board or the Company Secretary to convene an extraordinary general meeting pursuant to article 58 of the Company's articles of association. The written requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company, which is presently situated at 16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong.

There are no provisions under the Company's articles of association or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

Dividend Policy

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth. In proposing any dividend payout, the Company would consider various factors including the Company and the Group's actual and expected financial performance, general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and the Company's future expansion plan.

Constitutional Documents

During the financial year, there were no changes in any of the Company's constitutional documents.

Investor Relations

The management believes that effective communication with the investment community in a timely manner through various media is essential. The Company 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.

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 24 March 2020

Executive Directors

Mr. Ding Shizhong (丁世忠), aged 49, is the Chief Executive Officer, an Executive Director and the Board Chairman of the Company. He is primarily responsible for the overall corporate strategies, planning and business development of the Group. He is the co-founder of the Group and has dedicated to expanding and promoting the Group's business and to developing China's sporting goods industry. In 2014 and 2018, he was awarded the title of Outstanding Contributor to the Building of Socialism with Chinese Characteristics, 2014 Chinese Business Leaders Annual Award, Top 40 Most Influential Entrepreneurs of Fujian in 40 years of the Chinese Economic Reform and 2018 China Top Ten Economic Person of the Year. He is holding the public offices of National People's Congress deputy, deputy chairman of China Sporting Goods Federation, vice president of Samaranch Foundation, vice president of Samaranch Foundation and member of the Chinese Olympic Committee.

Mr. Ding is the younger brother of Mr. Ding Shijia and the brother-in-law of Mr. Lai Shixian, all of whom both are the Company's Executive Directors, and the cousin of Mr. Wang Wenmo, the Company's Non-Executive Director. He is also a director of Anta International, a substantial shareholder of the Company.

Mr. Ding Shijia (丁世家), aged 55, is an Executive Director and the Board Deputy Chairman of the Company. He is primarily responsible for the Group's supply chain management and manufacturing functions. He is the co-founder of the Group and has over 20 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. From December 2011 to December 2016, Mr. Ding was Jinjiang City People's Congress standing committee member. Mr. Ding is the elder brother of Mr. Ding Shizhong and the brother-in-law of Mr. Lai Shixian, both are the Company's Executive Directors, and the cousin of Mr. Wang Wenmo, the Company's Non-Executive Director. He is also a director of Anta International, a substantial shareholder of the Company.

Mr. Lai Shixian (賴世賢), aged 45, is an Executive Director and Chief Financial Officer of the Company. He is primarily responsible for the Group's administrative and financial management functions. He joined the Group in March 2003 and has over 20 years of experience in administrative and financial management. Mr. Lai holds an EMBA degree from China Europe International Business School. From 2011 to 2017, Mr. Lai was a member of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Lai has been a standing committee member of the 12th Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference, the vice president of Fujian Federation of Industry and Commerce (General Chamber of Commerce) and the vice chairman of Quanzhou City of Industry and Commerce (General Chamber of Commerce). Mr. Lai is the brother-in law of Mr. Ding Shizhong and Mr. Ding Shijia, both are the Company's Executive Directors. He is also a director of Anta International, a substantial shareholder of the Company. Mr. Lai is an independent non-executive director of China Lilang Limited (stock code: 1234), a company listed on the Hong Kong Stock Exchange.

Mr. Wu Yonghua (吳永華), aged 49, is an Executive Director of the Company and the CEO of the Performance Sports Brand Group. He is primarily responsible for various performance sports brands and the Group's e-commerce business. He joined the Group in October 2003 and has over 20 years of experience in sales and marketing in China.

Mr. Zheng Jie (鄭捷), aged 52, is an Executive Director of the Company, Group President and the CEO of the Outdoor Sports Brand Group. He is primarily responsible for various outdoor sports brands and the Group's corporate strategy, international affairs and overall marketing matters. He joined the Group in October 2008 and has over 20 years of experience in the field of marketing management, including over 8 years in the China division of an international sportswear brand as the sales vice president and the general manager. Mr. Zheng holds a bachelor's degree in management science from Shanghai Fudan University. He is the co-chairman of the World Federation of The Sporting Goods Industry (WFSGI).

Non-Executive Director

Mr. Wang Wenmo (王文默), aged 63, is a Non-Executive Director of the Company with effect from 1 March 2019 and was the Company's Executive Director from June 2007 to February 2019. He joined the Group in June 2000 and has over 20 years of experience in the apparel industry. He was primarily responsible for the management of the Group's apparel operations. Mr. Wang is the cousin of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors.

Independent Non-Executive Directors

Mr. Yiu Kin Wah Stephen (姚建華), aged 59, is an Independent Non-Executive Director of the Company and joined the Board in June 2018. He received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a master's degree in business administration from the University of Warwick in the United Kingdom. Mr. Yiu is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. He is currently a non-executive director of the Insurance Authority, a member of the Exchange Fund Advisory Committee, a member of the Independent Commission Against Corruption Complaints Committee and a council member of The Hong Kong University of Science and Technology. Mr. Yiu is an independent non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: 388) and China Mobile Limited (stock code: 941), both of which are listed on the Stock Exchange. Mr. Yiu joined the global accounting firm KPMG in Hong Kong in 1983 and was seconded to KPMG London, the United Kingdom from 1987 to 1989. Mr. Yiu became a partner of KPMG in 1994, served as the partner in charge of audit of KPMG from 2007 to 2010, and served as the chairman and chief executive officer of KPMG China and Hong Kong as well as a member of the executive committee and the board of KPMG International and KPMG Asia Pacific from April 2011 to March 2015. Mr. Yiu formerly also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Dai Zhongchuan (戴仲川), aged 54, is an 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 officer of rule of country law research center 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 standing committee member of the Fujian Provincial People's Congress, a committee member of Legislative Council of the Fujian Provincial People's Congress, an arbitrator of Quanzhou Municipal Arbitration Commission and a standing committee member of National Committee of the Chinese People's Political Consultative Conference of Quanzhou. Mr. Dai was an independent director of Xingye Leather Technology Co., Ltd (stock code: 002674) listed on Shenzhen Stock Exchange from December 2013 to December 2019 , and Fujian Fengzhu Textile Science & Technology Co., Ltd (stock code: 600493) listed on Shanghai Stock Exchange from May 2013 to April 2019.

Mr. Mei Ming Zhi (梅志明), aged 47, is an Independent Non-Executive Director of the Company and joined the Board in March 2019. He received his Bachelor of Science in Finance from Indiana University School of Business in 1996, and holds a master's degree in business administration from the Kellogg School of Management at Northwestern University in the United States and the School of Business and Management at the Hong Kong University of Science and Technology. Mr. Mei is currently co-founder and chief executive officer of GLP Pte. Ltd. (formerly known as Global Logistic Properties Limited). Mr. Mei is a non-executive independent director of Pacific Alliance China Land Limited (stock code: PACL.L), which is listed on London Stock Exchange. He was a director of Global Logistic Properties Limited, which has already been delisted from Singapore Stock Exchange, from September 2010 to January 2018.

Company Secretary

Mr. Tse Kin Chung (謝建聰), aged 39, is the Company Secretary of the Company. He has over 15 years of experience in the field of auditing and financial management. He joined the Group in 2007 and is currently the financial controller of the Group, responsible for financial management, risk management, internal control and compliance matters. He obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Executive Directors, as named above.

Only the Executive Directors, Chief Executive Officer and Chief Financial Officer are regarded as members of the Group's senior management.

KPMG

to the shareholders of ANTA Sports Products Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of ANTA Sports Products Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 98 to 157, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition: Sales to distributors

Refer to note 1 to the consolidated financial statements on page 102 and the accounting policies (V)(i) on page 149.

The key audit matter	How the matter was addressed in our audit
Revenue from distributors principally comprises revenue from sales of branded sporting goods, including footwear, apparel and accessories.	Our audit procedures to assess the recognition of revenue from sales to distributors included the following:
Every year, the Group enters into a framework distribution agreement with each distributor and, in accordance with the terms of each agreement, branded sporting goods of the Group are delivered to the location designated by the distributor which is when the control of the sporting goods is considered to have been transferred to the distributor and the point at which revenue is recognised.	• inspecting agreements with distributors, on a sample basis, to understand the terms of the sales transactions including the terms of delivery, applicable rebate and/or discount arrangements and any sales return arrangements to assess if the Group's revenue recognition criteria were in accordance with the requirements of the prevailing accounting standards;
As a part of the Group's business model, distributors place most of their orders during the various trade fairs held by the Group during the year.	• assessing, on a sample basis, whether specific revenue transactions around the financial year end had been recognised in the appropriate period in accordance with the terms of sale as set out in the distribution agreements;

We identified recognition of revenue from sales to distributors as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	• identifying significant credit notes issued and sales returns from the sales ledger after the year end and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the correct accounting period in accordance with the requirements of the prevailing accounting standards; • obtaining external confirmations of the value of sales transactions for the year ended 31 December 2019 and outstanding trade receivable balances as at that date directly from distributors, on a sample basis; • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

Information other than the consolidated financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the audit committee of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the audit committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Yu Hei.

KPMG

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

24 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019 (Expressed in Renminbi)

	Note	2019 RMB'000	2018 RMB'000
Revenue	1	**33,927,845**	24,100,039
Cost of sales		**(15,268,892)**	(11,412,761)
Gross profit		**18,658,953**	12,687,278
Other net income	2	**1,069,683**	760,021
Selling and distribution expenses		**(9,721,329)**	(6,524,920)
Administrative expenses		**(1,312,606)**	(1,222,594)
Profit from operations		**8,694,701**	5,699,785
Net finance (costs)/income	3	**(53,084)**	67,560
Share of loss of a joint venture		**(633,130)**	–
Profit before taxation	4	**8,008,487**	5,767,345
Taxation	5	**(2,384,416)**	(1,533,153)
PROFIT FOR THE YEAR		**5,624,071**	4,234,192
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**63,824**	213,859
Share of other comprehensive loss of a joint venture		**(87,637)**	–
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI")			
– net movement in fair value reserve (non-recycling)		**25,563**	174,768
Share of other comprehensive income of a joint venture		**22,765**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,648,586**	4,622,819
PROFIT ATTRIBUTABLE TO:			
Equity shareholders of the Company		**5,344,148**	4,102,855
Non-controlling interests		**279,923**	131,337
PROFIT FOR THE YEAR		**5,624,071**	4,234,192
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of the Company		**5,368,663**	4,491,482
Non-controlling interests		**279,923**	131,337
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,648,586**	4,622,819
		RMB cents	RMB cents
Earnings per share	8		
– Basic		**198.70**	152.82
– Diluted		**198.51**	152.69

The Group has initially applied IFRS/HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 34.

The notes, significant accounting policies and principal subsidiaries on pages 102 to 157 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 29.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019 (Expressed in Renminbi)

	Note	**2019 RMB'000**	2018 RMB'000
Non-current assets			
Property, plant and equipment	10	**2,147,665**	1,787,330
Right-of-use assets	11	**3,236,901**	–
Construction in progress	12	**420,933**	749,030
Lease prepayments		**–**	420,697
Prepayments for acquisition of land use rights and other non-current assets	13	**52,753**	366,818
Intangible assets	14	**678,250**	685,449
Investment in a joint venture	16	**10,550,966**	–
Other financial assets	17	**63,686**	677,689
Deferred tax assets	26(b)	**746,427**	402,834
Total non-current assets		**17,897,581**	5,089,847
Current assets			
Inventories	18	**4,405,281**	2,892,486
Trade receivables	19	**3,896,274**	2,504,898
Other receivables	19	**2,412,301**	2,133,302
Pledged deposits	20	**4,304**	1,662,240
Fixed deposits held at banks with maturity over three months	21	**4,381,906**	807,778
Cash and cash equivalents	21	**8,220,748**	9,283,676
Total current assets		**23,320,814**	19,284,380
Total assets		**41,218,395**	24,374,227
Current liabilities			
Bank loans	22	**1,358,850**	1,243,559
Trade payables	23	**2,962,645**	1,792,253
Bills payable and other payables	23	**5,820,666**	3,840,976
Lease liabilities		**1,018,533**	–
Amounts due to related parties	32(b)	**25,886**	21,199
Current taxation	26(a)	**1,224,962**	649,886
Total current liabilities		**12,411,542**	7,547,873
Net current assets		**10,909,272**	11,736,507
Total assets less current liabilities		**28,806,853**	16,826,354
Non-current liabilities			
Bank loans	22	**6,643,595**	70,000
Lease liabilities		**845,896**	–
Deferred tax liabilities	26(b)	**256,252**	236,493
Total non-current liabilities		**7,745,743**	306,493
Total liabilities		**20,157,285**	7,854,366
Net assets		**21,061,110**	16,519,861
Equity			
Share capital	27	**260,554**	259,038
Reserves	28	**19,821,122**	15,518,292
Total equity attributable to equity shareholders of the Company		**20,081,676**	15,777,330
Non-controlling interests		**979,434**	742,531
Total liabilities and equity		**41,218,395**	24,374,227

The Group has initially applied IFRS/HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 34.

The notes, significant accounting policies and principal subsidiaries on pages 102 to 157 form part of these financial statements.

Ding Shizhong
Chairman, Executive Director and Chief Executive Officer

Lai Shixian
Executive Director and Chief Financial Officer

Hong Kong, 24 March 2020

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019 (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company				
	Note	Share capital RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balances as at 1 January 2018		259,010	13,447,395	13,706,405	654,129	14,360,534
Changes in equity for 2018:						
Profit for the year		–	4,102,855	4,102,855	131,337	4,234,192
Other comprehensive income for the year		–	388,627	388,627	–	388,627
Total comprehensive income for the year		–	4,491,482	4,491,482	131,337	4,622,819
Dividends approved in respect of the previous year	29(b)	–	(1,238,208)	(1,238,208)	–	(1,238,208)
Dividends declared in respect of the current year	29(a)	–	(1,186,850)	(1,186,850)	–	(1,186,850)
Forfeiture of unclaimed dividends		–	55	55	–	55
Shares issued pursuant to share option schemes	27	28	4,418	4,446	–	4,446
Dividends to non-controlling interests of subsidiaries		–	–	–	(42,935)	(42,935)
Balance as at 31 December 2018 and 1 January 2019		**259,038**	**15,518,292**	**15,777,330**	**742,531**	**16,519,861**
Changes in equity for 2019:						
Profit for the year		**–**	**5,344,148**	**5,344,148**	**279,923**	**5,624,071**
Other comprehensive income for the year		**–**	**24,515**	**24,515**	**–**	**24,515**
Total comprehensive income for the year		**–**	**5,368,663**	**5,368,663**	**279,923**	**5,648,586**
Dividends approved in respect of the previous year	29(b)	**–**	**(652,466)**	**(652,466)**	**–**	**(652,466)**
Dividends declared in respect of the current year	29(a)	**–**	**(764,151)**	**(764,151)**	**–**	**(764,151)**
Shares issued under a subscription agreement	27	**1,409**	**690,520**	**691,929**	**–**	**691,929**
Shares purchased pursuant to share award scheme	25(b)	**–**	**(444,688)**	**(444,688)**	**–**	**(444,688)**
Shares issued pursuant to share option schemes	27	**107**	**17,252**	**17,359**	**–**	**17,359**
Equity-settled share-based payment transactions	28(f)	**–**	**87,700**	**87,700**	**–**	**87,700**
Capital contribution by non-controlling interests of subsidiaries		**–**	**–**	**–**	**54,480**	**54,480**
Dividends to non-controlling interests of subsidiaries		**–**	**–**	**–**	**(97,500)**	**(97,500)**
Balances as at 31 December 2019		**260,554**	**19,821,122**	**20,081,676**	**979,434**	**21,061,110**

The Group has initially applied IFRS/HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 34.

The notes, significant accounting policies and principal subsidiaries on pages 102 to 157 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 (Expressed in Renminbi)

	Note	**2019 RMB'000**	2018 RMB'000
Operating activities			
Profit before taxation		**8,008,487**	5,767,345
Adjustments for:			
– Depreciation of property, plant and equipment	10	**388,818**	291,303
– Depreciation of right-of-use assets	11	**1,031,971**	–
– Amortisation of lease prepayments		**–**	10,026
– Amortisation of intangible assets	14	**48,046**	40,880
– Dividend income	2	**(1,493)**	–
– Interest expenses	3	**277,639**	49,930
– Interest income	3	**(167,713)**	(225,125)
– Net loss on disposal of property, plant and equipment	2	**3,009**	7,237
– Gain on disposal of interests in a joint venture	2	**(53,956)**	–
– (Reversal of impairment loss)/impairment loss of trade receivables	4(b)	**(12,265)**	24,447
– Write-down/(reversal of write-down) of inventories	18(b)	**33,869**	(7,881)
– Share of loss of a joint venture		**633,130**	–
– Equity-settled share-based payment transactions	4(a)	**87,700**	–
– Net exchange gain		**(56,842)**	–
Changes in working capital			
– Increase in inventories		**(1,546,664)**	(729,343)
– Increase in trade receivables and other receivables		**(1,692,447)**	(899,280)
– Increase in trade payables, bills payable and other payables		**2,432,330**	1,182,632
– Increase in amounts due to related parties		**4,687**	1,735
Cash generated from operations		**9,418,306**	5,513,906
Income tax paid		**(2,133,174)**	(1,288,046)
Interest received		**199,852**	213,850
Net cash generated from operating activities		**7,484,984**	4,439,710
Investing activities			
Payments for purchase of property, plant and equipment		**(350,188)**	(182,066)
Payments for construction in progress		**(161,633)**	(280,310)
Payments of prepayments for acquisition of land use rights		**(494,490)**	(310,000)
Payments for purchase of intangible assets		**(56,465)**	(35,864)
Payments for acquisition of a subsidiary, net of cash acquired		**–**	(183,877)
Payments for leasehold land		**(24,386)**	–
Net proceeds from/(payments of) other financial assets		**625,017**	(326,670)
Placements of pledged deposits		**(2,462)**	(1,514,083)
Uplift of pledged deposits		**1,446,623**	1,800
Placements of fixed deposits held at banks with maturity over three months		**(5,043,721)**	(3,646,670)
Uplift of fixed deposits held at banks with maturity over three months		**1,805,507**	5,275,307
Payment for investment in a joint venture	16	**(11,706,721)**	–
Proceeds from disposal of interests in a joint venture	16	**862,648**	–
Other cash flows derived from investing activities		**35,218**	1,333
Net cash used in investing activities		**(13,065,053)**	(1,201,100)
Financing activities			
Drawdown of new bank loans	21(b)	**7,733,416**	1,165,428
Repayments of bank loans	21(b)	**(1,297,641)**	(157,429)
Payments of interest expense on bank loans	21(b)	**(109,741)**	(15,442)
Net proceeds from bills of exchange	21(b)	**730,654**	469,346
Repayment of other payables (financing in nature)	21(b)	**–**	(116,000)
Payments of lease liabilities	21(b)	**(1,160,213)**	–
Proceeds from shares issued pursuant to share option schemes	27	**17,359**	4,446
Net proceeds from shares issued under a share subscription agreement	27	**691,929**	–
Payments for shares purchased under share award scheme	25(b)	**(444,688)**	–
Dividends paid to equity shareholders of the Company	29	**(1,416,617)**	(2,425,058)
Dividends paid to non-controlling interests of subsidiaries		**(97,500)**	(42,935)
Capital contribution by non-controlling interests of subsidiaries		**54,480**	–
Other cash flows derived from financing activities		**(31,721)**	(18,738)
Net cash received from/(used in) financing activities		**4,669,717**	(1,136,382)
Net (decrease)/increase in cash and cash equivalents		**(910,352)**	2,102,228
Cash and cash equivalents as at 1 January		**9,283,676**	6,967,589
Effect of foreign exchange rate changes		**(152,576)**	213,859
Cash and cash equivalents as at 31 December	21(a)	**8,220,748**	9,283,676

The Group has initially applied IFRS/HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 34.

The notes, significant accounting policies and principal subsidiaries on pages 102 to 157 form part of these financial statements.

1. Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are branding, production, design, procurement, supply chain management, wholesale and retail of branded sporting goods including footwear, apparel and accessories. The Group also has an investment in a joint venture, the principal activity of which is operating Amer Sports' business. Please refer to note 16 for more details of Amer Sports' business.

The Group's (other than the joint venture) revenue, expenses, results, assets and liabilities are predominantly attributable to a single geographical region, which is China. Therefore, no analysis by geographical regions is presented.

Revenue represents the sales value of goods sold less returns, discounts, rebates and value added tax. Disaggregation of revenue from contracts with customers by product categories is as follows:

	2019 **RMB'000**	2018 RMB'000
Footwear	**11,409,662**	8,631,427
Apparel	**21,397,721**	14,709,172
Accessories	**1,120,462**	759,440
	33,927,845	24,100,039

For the year ended 31 December 2019, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2018: Nil).

1. Revenue and Segment Reporting (Continued)

(b) Segment reporting

Chief Executive Officer and senior management team are the Group's chief operating decision-makers (the "CODMs"). In the past, no information was presented for the Group's business segment as the CODMs considered the Group was principally engaged in a single line of business of sporting goods. Due to the expansion of the Group's business, currently the CODMs review the Group's internal reports periodically in order to assess performance and allocate resources from a brand perspective. Consistent with the way in which information is reported internally to the CODMs, the Group has presented two reportable segments of ANTA brand and FILA brand, respectively. No other operating segments have been aggregated to the two reportable segments, but have been aggregated and presented as "all other brands". The segment information for year ended 31 December 2019 and 2018 is as follows:

	ANTA brand		FILA brand		All other brands		Total	
	2019 RMB'000	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000	**2019 RMB'000**	2018 RMB'000
For the year ended 31 December								
Segment revenue								
– Revenue from external customers	**17,449,786**	14,326,802	**14,770,101**	8,491,693	**1,707,958**	1,281,544	**33,927,845**	24,100,039
Revenue	**17,449,786**	14,326,802	**14,770,101**	8,491,693	**1,707,958**	1,281,544	**33,927,845**	24,100,039
Segment gross profit	**7,200,560**	6,022,509	**10,402,546**	5,931,758	**1,055,847**	733,011	**18,658,953**	12,687,278
Segment results	**4,676,171**	3,706,180	**4,022,814**	2,149,773	**(58,240)**	(156,168)	**8,640,745**	5,699,785
Reconciliation:								
– Gain on disposal of interests in a joint venture							**53,956**	–
– Net finance (costs)/income							**(53,084)**	67,560
– Share of loss of a joint venture							**(633,130)**	–
Profit before taxation							**8,008,487**	5,767,345
As at 31 December								
Segment assets	**18,563,033**	17,293,287	**9,760,325**	4,793,916	**1,984,806**	1,912,252	**30,308,164**	23,999,455
Reconciliation:								
– Elimination of inter-segment borrowings	**(450,848)**	(705,751)	**–**	–	**–**	–	**(450,848)**	(705,751)
– Investment in a joint venture							**10,550,966**	–
– Other financial assets							**63,686**	677,689
– Deferred tax assets							**746,427**	402,834
Total assets							**41,218,395**	24,374,227
Segment liabilities	**5,420,891**	3,721,856	**4,676,176**	1,713,522	**1,027,407**	924,801	**11,124,474**	6,360,179
Reconciliation:								
– Elimination of inter-segment borrowings	**–**	–	**(29,121)**	(232,531)	**(421,727)**	(473,220)	**(450,848)**	(705,751)
– Bank loans							**8,002,445**	1,313,559
– Current taxation							**1,224,962**	649,886
– Deferred tax liabilities							**256,252**	236,493
Total liabilities							**20,157,285**	7,854,366

2. Other Net Income

	2019 RMB'000	2018 RMB'000
Government grants(i)	**1,018,805**	741,153
Net loss on disposal of property, plant and equipment	**(3,009)**	(7,237)
Dividend income from equity investments	**1,493**	5,202
Gain on disposal of interests in a joint venture (note 16)	**53,956**	–
Others	**(1,562)**	20,903
	1,069,683	760,021

(i) Government grants were received from several local government authorities as a recognition of the Group's contribution towards the local economic development, of which the entitlement was unconditional and under the discretion of the relevant authorities.

3. Net Finance (Costs)/Income

	2019 RMB'000	2018 RMB'000
Total interest income on financial assets measured at amortised cost	**167,713**	225,125
Net gains on forward foreign exchange contracts	**27,066**	–
Other net foreign exchange gain	**29,776**	–
	224,555	225,125
Interest expense on lease liabilities	**(93,853)**	–
Total interest expense on other financial liabilities measured at amortised cost	**(187,402)**	(52,036)
Less: interest expense capitalised into a property under development(i)	**3,616**	2,106
Net loss on forward foreign exchange contracts	**–**	(16,083)
Other net foreign exchange loss	**–**	(91,552)
	(277,639)	(157,565)
Net finance (costs)/income	**(53,084)**	67,560

(i) The borrowing costs have been capitalised at a rate of 5.15% per annum (2018: 5.15%).

4. Profit Before Taxation

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

	2019 RMB'000	2018 RMB'000
(a) Staff costs(i) & (ii):		
Salaries, wages and other benefits	**3,430,124**	2,394,381
Contributions to defined contribution retirement plans	**437,877**	239,231
Equity-settled share-based payment transactions (note 28(f))	**87,700**	–
	3,955,701	2,633,612
(b) Other items:		
Cost of inventories(i) (note 18(b))	**15,268,892**	11,412,761
Research and development costs(i) & (ii)	**789,237**	598,538
Subcontracting charges(i)	**339,233**	200,387
Depreciation(i)		
– property, plant and equipment (note 10)	**388,818**	291,303
– right-of-use assets (note 11)	**1,031,971**	–
Amortisation		
– lease prepayments	**–**	10,026
– intangible assets (note 14)	**48,046**	40,880
(Reversal of impairment loss)/impairment loss of trade receivables (note 19)	**(12,265)**	24,447
Variable lease payments not included in the measurement of lease liabilities	**1,941,878**	885,220
Total minimum lease payments for leases previously classified as operating lease under IAS/HKAS 17	**–**	841,314
Auditors' remuneration	**10,934**	8,183

(i) Cost of inventories includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB1,880,413,000 (2018: RMB1,446,710,000).

(ii) Research and development costs include staff costs of employees in the research and development department, of which RMB302,895,000 (2018: RMB246,576,000) are included in the staff costs as disclosed above.

5. Taxation in the Consolidated Statement of Profit or Loss and Other Comprehensive Income

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2019 RMB'000	2018 RMB'000
Current tax		
PRC Corporate Income Tax and income taxes of other tax jurisdictions	**2,353,043**	1,478,015
Dividends withholding tax	**239,197**	106,611
Deferred tax (note 26(b))		
Dividends withholding tax	**(239,197)**	(106,611)
Origination and reversal of other temporary differences	**31,373**	55,138
	2,384,416	1,533,153

(i) In accordance with the relevant PRC corporate income tax laws, implementation regulations and guidance notes, certain subsidiaries in Mainland China are entitled to tax concessions whereby the profits of the subsidiaries are taxed at a preferential income tax rate. Taxation of the Group's other subsidiaries in Mainland China are calculated using the applicable income tax rates of 25%.

(ii) Taxation for subsidiaries in other tax jurisdictions amounting to RMB9,411,000 is charged at the appropriate current rates under the relevant taxation rulings.

(iii) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-Mainland China corporate residents from Mainland China 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 Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income 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 Mainland China if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the Mainland China 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.

Dividends withholding tax represents tax charged by tax authority on dividends distributed by the Group's subsidiaries in the Mainland China during the year.

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

	2019 RMB'000	2018 RMB'000
Profit before taxation	**8,008,487**	5,767,345
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**2,179,842**	1,444,723
Tax effect of non-deductible expenses	**73,332**	50,769
Tax effect of non-taxable income	**(95,136)**	(41,622)
Tax effect of unused tax losses not recognised	**48,314**	41,593
Withholding tax on profits retained by Mainland China subsidiaries (note 5(a)(iii))	**249,790**	113,932
Effect of tax concessions (note 5(a)(i))	**(71,726)**	(76,242)
Actual tax expense	**2,384,416**	1,533,153

6. Directors' Emoluments

Details of Directors' emoluments 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	Discretionary bonuses RMB'000	Equity-settled share-based payment transaction (note 28(f)) RMB'000	Total RMB'000
Year ended 31 December 2019						
Executive Directors						
Mr. Ding Shizhong	**–**	**1,080**	**71**	**532**	**–**	**1,683**
Mr. Ding Shijia	**–**	**1,000**	**71**	**–**	**–**	**1,071**
Mr. Lai Shixian	**–**	**1,500**	**71**	**–**	**7,803**	**9,374**
Mr. Wu Yonghua	**–**	**2,000**	**71**	**–**	**–**	**2,071**
Mr. Zheng Jie	**–**	**3,669**	**101**	**10,912**	**–**	**14,682**
	–	**9,249**	**385**	**11,444**	**7,803**	**28,881**
Non-Executive Director						
Mr. Wang Wenmo(i)	**833**	**167**	**12**	**–**	**–**	**1,012**
Independent Non-Executive Directors						
Mr. Yiu Kin Wah Stephen(ii)	**713**	**–**	**–**	**–**	**–**	**713**
Mr. Lu Hong-Te(iii)	**36**	**–**	**–**	**–**	**–**	**36**
Mr. Dai Zhongchuan	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Mei Ming Zhi(iv)	**267**	**–**	**–**	**–**	**–**	**267**
	1,136	**–**	**–**	**–**	**–**	**1,136**
Total	**1,969**	**9,416**	**397**	**11,444**	**7,803**	**31,029**
Year ended 31 December 2018						
Executive Directors						
Mr. Ding Shizhong	–	1,080	69	532	–	1,681
Mr. Ding Shijia	–	1,000	69	–	–	1,069
Mr. Lai Shixian	–	1,500	69	–	–	1,569
Mr. Wang Wenmo(i)	–	1,000	69	–	–	1,069
Mr. Wu Yonghua	–	2,000	69	–	–	2,069
Mr. Zheng Jie	–	3,027	96	–	–	3,123
	–	9,607	441	532	–	10,580
Independent Non-Executive Directors						
Mr. Yiu Kin Wah Stephen(ii)	399	–	–	–	–	399
Mr. Lu Hong-Te(iii)	205	–	–	–	–	205
Mr. Dai Zhongchuan	120	–	–	–	–	120
Mr. Yeung Chi Tat(v)	128	–	–	–	–	128
	852	–	–	–	–	852
Total	852	9,607	441	532	–	11,432

(i) Re-designated as an Non-Executive Director on 1 March 2019.

(ii) Appointed as an Independent Non-Executive Director on 1 June 2018.

(iii) Resigned on 1 March 2019.

(iv) Appointed as an Independent Non-Executive Director on 1 March 2019.

(v) Resigned on 1 June 2018.

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, 2 (2018: 1) are also Directors of the Company whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining 3 (2018: 4) individuals are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**6,649**	8,849
Discretionary bonuses	**4,562**	7,771
Equity-settled share-based payment transactions (note 28(f))	**7,803**	–
Contributions to retirement benefit scheme	**27**	23
	19,041	16,643

The 3 individuals (2018: 4) are neither senior management nor a Director of the Company. The emoluments of the 3 (2018: 4) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2019	2018
RMB3,000,001 to RMB3,500,000	**–**	1
RMB3,500,001 to RMB4,000,000	**–**	1
RMB4,500,001 to RMB5,000,000	**–**	2
RMB5,500,001 to RMB6,000,000	**1**	–
RMB6,000,001 to RMB6,500,000	**1**	–
RMB7,000,001 to RMB7,500,000	**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 RMB5,344,148,000 (2018: RMB4,102,855,000) and the weighted average number of ordinary shares in issue during the year of 2,689,494,000 (2018: 2,684,788,000).

Weighted average number of ordinary shares

	2019 '000 Shares	2018 '000 Shares
Issued ordinary shares as at 1 January	**2,684,904**	2,684,569
Effect of shares issued under a share subscription agreement	**8,073**	–
Effect of shares held for share award scheme	**(3,964)**	–
Effect of shares issued pursuant to share option schemes	**481**	219
Weighted average number of ordinary shares as at 31 December	**2,689,494**	2,684,788

8. Earnings Per Share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect caused by the share options granted under the share option schemes (see note 25(a)) assuming they were exercised and awarded shares under share award scheme (see note 25(b)).

Weighted average number of ordinary shares (diluted)

	2019 ’000 Shares	2018 ’000 Shares
Weighted average number of ordinary shares as at 31 December	**2,689,494**	2,684,788
Effect of awarded shares under share award scheme	**341**	–
Effect of deemed issue of shares under share option schemes	**2,361**	2,310
Weighted average number of ordinary shares (diluted) as at 31 December	**2,692,196**	2,687,098

9. Company-level Statement of Financial Position

	Note	**2019 RMB’000**	2018 RMB’000
Non-current assets			
Investments in subsidiaries	15	**5,558,701**	139
Total non-current assets		**5,558,701**	139
Current assets			
Other receivables		**17,120**	304
Amounts due from subsidiaries		**5,332,217**	7,192,871
Fixed deposits held at banks with maturity over three months		**424,259**	–
Cash and cash equivalents		**3,856**	122,095
Total current assets		**5,777,452**	7,315,270
Total assets		**11,336,153**	7,315,409
Current liabilities			
Amounts due to subsidiaries		**1,029,929**	–
Other payables		**1,335**	1,873
Total current liabilities		**1,031,264**	1,873
Net current assets		**4,746,188**	7,313,397
Total assets less current liabilities		**10,304,889**	7,313,536
Equity			
Share capital	27	**260,554**	259,038
Reserves	28	**10,044,335**	7,054,498
Total equity		**10,304,889**	7,313,536
Total liabilities and equity		**11,336,153**	7,315,409

10. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Retail outlets leasehold improvements RMB'000	Total RMB'000
Cost:						
As at 1 January 2018	1,125,521	267,890	33,113	482,337	156,738	2,065,599
Additions	–	29,273	1,600	46,100	179,661	256,634
Transfer from construction in progress (note 12)	580,698	5,299	11,870	29,598	–	627,465
Disposals	–	(13,250)	(705)	(9,430)	(101,583)	(124,968)
As at 31 December 2018 and 1 January 2019	**1,706,219**	**289,212**	**45,878**	**548,605**	**234,816**	**2,824,730**
Additions	**1,243**	**55,724**	**6,648**	**55,247**	**246,207**	**365,069**
Transfer from construction in progress (note 12)	**276,411**	**107,604**	**–**	**24,928**	**–**	**408,943**
Disposals	**(1,954)**	**(27,847)**	**(1,108)**	**(140,848)**	**(131,033)**	**(302,790)**
As at 31 December 2019	**1,981,919**	**424,693**	**51,418**	**487,932**	**349,990**	**3,295,952**
Accumulated depreciation:						
As at 1 January 2018	335,009	114,957	19,218	326,078	67,233	862,495
Charge for the year (note 4)	62,610	20,194	3,962	54,754	149,783	291,303
Written back on disposals	–	(10,490)	(343)	(7,812)	(97,753)	(116,398)
As at 31 December 2018 and 1 January 2019	**397,619**	**124,661**	**22,837**	**373,020**	**119,263**	**1,037,400**
Charge for the year (note 4)	**93,825**	**42,158**	**8,862**	**57,097**	**186,876**	**388,818**
Written back on disposals	**(1,081)**	**(7,995)**	**(564)**	**(138,365)**	**(129,926)**	**(277,931)**
As at 31 December 2019	**490,363**	**158,824**	**31,135**	**291,752**	**176,213**	**1,148,287**
Net book value:						
As at 31 December 2019	**1,491,556**	**265,869**	**20,283**	**196,180**	**173,777**	**2,147,665**
As at 31 December 2018	1,308,600	164,551	23,041	175,585	115,553	1,787,330

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

11. Right-of-Use Assets

	Leasehold land RMB'000	Properties leased for own use RMB'000	Total RMB'000
Net book value:			
As at 1 January 2019 (as previously reported)	–	–	–
Effect of the initial application of IFRS/HKFRS 16	509,207	1,662,728	2,171,935
At 1 January 2019 (as restated)	**509,207**	**1,662,728**	**2,171,935**
Additions	**828,876**	**1,489,622**	**2,318,498**
Depreciation charge for the year (note 4)	**(21,669)**	**(1,010,302)**	**(1,031,971)**
Disposals	**–**	**(221,561)**	**(221,561)**
As at 31 December 2019	**1,316,414**	**1,920,487**	**3,236,901**

Details of the maturity analysis of lease liabilities is set out in note 30(b).

(a) Leasehold land

The Group has obtained land use rights of certain leasehold land for properties held for own use in Mainland China. At 31 December 2019, the Group was in the process of completing the release of pledge of a land use right with carrying amount of RMB88,510,000 as the related bank loans were repaid.

(b) Properties leased for own use

The Group has obtained the right to use properties as its warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. Total cash outflow for the leases in the reporting period was RMB2,859,199,000.

12. Construction in Progress

	2019 RMB'000	2018 RMB'000
As at 1 January (as previously reported)	**749,030**	705,539
Effect of the initial application of IFRS/HKFRS 16	**(88,510)**	–
As at 1 January (as restated)	**660,520**	705,539
Additions through acquisition of a subsidiary	**–**	389,037
Other additions	**169,356**	281,919
Transfer to property, plant and equipment (note 10)	**(408,943)**	(627,465)
As at 31 December	**420,933**	749,030

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

13. Prepayments for Acquisition of Land Use Rights and Other Non-current Assets

	2019 RMB'000	2018 RMB'000
Prepayments for acquisition of:		
Land use rights	**2,519**	325,878
Other non-current assets	**50,234**	40,940
	52,753	366,818

14. Intangible Assets

	Computer software RMB'000	Patents and trademarks RMB'000	Total RMB'000
Cost:			
As at 1 January 2018	153,620	762,272	915,892
Additions	20,997	–	20,997
As at 31 December 2018 and 1 January 2019	**174,617**	**762,272**	**936,889**
Additions	**40,857**	**–**	**40,857**
Disposals	**(2,109)**	**–**	**(2,109)**
As at 31 December 2019	**213,365**	**762,272**	**975,637**
Accumulated amortisation:			
As at 1 January 2018	102,071	108,489	210,560
Charge for the year (note 4)	21,113	19,767	40,880
As at 31 December 2018 and 1 January 2019	**123,184**	**128,256**	**251,440**
Charge for the year (note 4)	**28,279**	**19,767**	**48,046**
Written back on disposals	**(2,099)**	**–**	**(2,099)**
As at 31 December 2019	**149,364**	**148,023**	**297,387**
Net book value:			
As at 31 December 2019	**64,001**	**614,249**	**678,250**
As at 31 December 2018	51,433	634,016	685,449

The amortisation charge for the year is included in administrative expenses of profit or loss.

15. Investments in Subsidiaries

The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2019 are shown on pages 152 to 157.

16. Investment in a Joint Venture

Details of the Group's interest in the joint venture, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of incorporation and business	Proportion of interest held	Proportion of voting rights held
Amer Sports Holding (Cayman) Limited	Cayman Islands/Worldwide	53.82%	57.70%

On 26 March 2019, Amer Sports Holding (Cayman) Limited ("Mascot JVCo", a wholly-owned subsidiary of the Group as at 31 December 2018, formerly know as Mascot JVCo (Cayman) Limited) issued and allotted additional shares to the Group and other third-party investors. The Group reduced its shareholding in Mascot JVCo from 100.00% to 57.95% and entered into a shareholder agreement with the other investors, resulting in the Group losing control of Mascot JVCo and Mascot JVCo becoming a joint venture of the Group because decisions about certain relevant activities of the Mascot JVCo require the consent of directors nominated by other shareholders of Mascot JVCo. The Group has invested EUR1,543,000,000 (equivalent to RMB11,706,721,000) in Mascot JVCo during the year.

On 29 March 2019 ("Acquisition Date"), Amer Sports Holding Oy ("Mascot BidCo", an indirect wholly-owned subsidiary of Mascot JVCo, formerly know as Mascot BidCo Oy) acquired 98.11% of the shares and voting rights in Amer Sports Oyj ("Amer Sports") (excluding shares held by Amer Sports or any of its subsidiaries). As a result of the transaction, Amer Sports became an indirect subsidiary of Mascot JVCo. The Group also disposed 1,679,936 shares of Amer Sports to Mascot BidCo for a consideration of RMB505,315,000.

Amer Sports is a sporting goods company with internationally recognised brands including Salomon, Arc'teryx, Peak Performance, Atomic, Suunto, Wilson and Precor etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase the enjoyment of sports and outdoor activities. Amer Sports' business is balanced by its broad portfolio of sports and products and presence in all major markets. Shares of Amer Sports had been listed on the Nasdaq Helsinki Stock Exchange (stock code: AMEAS) and, as a result of Mascot BidCo gaining title to all shares in Amer Sports, were delisted from the Nasdaq Helsinki Stock Exchange on 4 September 2019 under applicable laws.

Mascot JVCo, the only joint venture in which the Group participates, is an unlisted corporate entity whose quoted market price is not available.

Mascot JVCo has obtained the final results of purchase price allocation exercise and the accounting for the business combination of Amer Sports has been completed and finalised. Summarised consolidated financial information of Mascot JVCo, based on the latest available information to the Company and adjusted for any differences in accounting policies adopted by the Group, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	31 December 2019 RMB'000
Current assets	**13,738,555**
Non-current assets	**45,437,559**
Current liabilities	**(8,782,853)**
Non-current liabilities	**(30,790,038)**
Equity	**19,603,223**
Included in the above assets and liabilities:	
Cash and cash equivalents	**2,488,035**
Current financial liabilities (excluding trade and other payables and provisions)	**(2,804,532)**
Non-current financial liabilities (excluding trade and other payables and provisions)	**(22,998,568)**

16. Investment in a Joint Venture (Continued)

	From 26 March 2019 to 31 December 2019 RMB'000
Revenue	17,498,962
Loss from continuing operations	(1,003,774)
Post-tax loss from discontinued operations	(88,811)
Other comprehensive loss	(111,882)
Total comprehensive loss	(1,204,467)
Included in the above loss:	
Depreciation and amortisation	(1,626,533)
Interest income	24,691
Interest expense	(750,767)
Income tax income	27,778

	Reconciliation to the Group's Investment in a joint venture RMB'000
Gross amounts of Mascot JVCo's net assets	19,603,223
Group's effective interest	53.82%
Group's share of Mascot JVCo's net assets	10,550,966
Carrying amount of the Group's investment	10,550,966

On 12 November 2019, the Group entered into certain share purchase agreements, resulting in: (i) disposal of all 50,012 shares of class B shares ("Class B Shares", which are non-voting shares) of ANLLIAN HOLDCO (BVI) LIMITED ("Anllian SPV", a wholly-owned subsidiary of the Group as at the date of the share purchase agreements and holding 5.0012% equity interests of Mascot JVCo) to 4 investors at consideration of approximately EUR133,300,000 (equivalent to RMB1,042,219,000) ("Anllian SPV Share Purchase Agreements"); and (ii) disposal of 0.2505% equity interest in Mascot JVCo to Baseball Investment Limited ("FountainVest SPV", one of the other investors of Mascot JVCo) at consideration of approximately EUR 6,700,000 (equivalent to RMB52,385,000) ("JVCo Share Purchase Agreement") (i.e. disposing 5.0012% economic interest and directly disposing 0.2505% equity interest respectively in Mascot JVCo with total consideration of approximately EUR140,000,000 (equivalent to RMB1,094,604,000) by the Group).

In respect of the Anllian SPV Share Purchase Agreements, (i) 26,733 Class B Shares (representing 53.453% of the total Class B Shares) were disposed to Super Grand Global Limited ("Super Grand") at consideration of approximately EUR71,200,000 (equivalent to RMB556,684,000) ("Super Grand Share Purchase Agreement"); (ii) 8,260 Class B Shares (representing 16.516% of the total Class B Shares) were disposed to Blossom Fortune Investment Limited ("Blossom Fortune") at consideration of approximately EUR22,000,000 (equivalent to RMB172,009,000) ("Blossom Fortune Share Purchase Agreement"); (iii) 11,264 Class B Shares (representing 22.523% of the total Class B Shares) were disposed to Sequoia Jingyuan (Xiamen) Equity Investment Partnership (Limited Partnership) ("Sequoia SPV") at consideration of approximately EUR30,100,000 (equivalent to RMB235,340,000) ("Sequoia Share Purchase Agreement"); and (iv) 3,755 Class B Shares (representing 7.508% of the total Class B Shares) were disposed to Z Babylon AS Investments Limited and Z Babylon Norwich Investments Limited (jointly and severally) (collectively "ZWC") at consideration of approximately EUR10,000,000 (equivalent to RMB78,186,000) ("ZWC Share Purchase Agreement").

Each of Super Grand and Blossom Fortune is a related party of the Group. As such, the entering into of the Super Grand Share Purchase Agreement and the Blossom Fortune Share Purchase Agreement by the Group and each of Super Grand and Blossom Fortune, respectively, constitutes related party transactions of the Group under the relevant financial reporting standards. The above related party transactions also fall under the definition of connected transactions in Chapter 14A of the Listing Rules. The Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules. Each of Sequoia SPV, ZWC and FountainVest SPV is not a related party of the Group under the relevant financial reporting standards.

The transactions under Super Grand Share Purchase Agreement, Blossom Fortune Share Purchase Agreement, ZWC Share Purchase Agreement and JVCo Share Purchase Agreement were completed during the year with total proceeds of approximately RMB862,648,000 and total gains of approximately RMB53,956,000. After the end of the reporting period, the transaction under the Sequoia Share Purchase Agreement was completed on 17 January 2020 with proceed of approximately RMB234,958,000.

16. Investment in a Joint Venture (Continued)

There is a 5-year EUR1,300,000,000 (equivalent to RMB10,164,180,000) term loan facility ("Facility A") provided by independent third party bank lenders to Mascot JVCo for the purpose of, amongst other things, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) any refinancing of any indebtedness of Amer Sports in connection with the acquisition of shares of Amer Sports. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of Mascot JVCo to the arrangers, the lenders and the agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. As at 31 December 2019, Facility A has been fully drawn by Mascot JVCo.

17. Other Financial Assets

	2019 RMB'000	2018 RMB'000
Equity instruments designated as measured at FVOCI (non-recycling):		
Listed equity investments	**–**	506,567
Unlisted equity investments	**63,686**	63,520
Debt instruments measured at amortised cost:		
Listed held-to-maturity debt securities	**–**	107,602
	63,686	677,689

The Group designated the unlisted equity investments as measured at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends with amount of RMB1,493,000 were received on the unlisted equity investments during the year (2018: RMB1,493,000).

The movements of the unlisted equity investments are as follows:

	RMB'000
At 1 January 2018	49,350
Total unrealised gains recognised in other comprehensive income	14,170
At 31 December 2018 and 1 January 2019	**63,520**
Additions	**14,400**
Total unrealised gains recognised in other comprehensive income	**11,127**
Disposals	**(25,361)**
At 31 December 2019	**63,686**

18. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	2019 RMB'000	2018 RMB'000
Raw materials	**259,054**	178,361
Work in progress	**248,962**	165,804
Finished goods	**3,897,265**	2,548,321
	4,405,281	2,892,486

18. Inventories (Continued)

(b) The analysis of the amount of inventories recognised as an expense and charged/(credited) to profit or loss is as follows:

	2019 RMB'000	2018 RMB'000
Carrying amount of inventories sold	**15,235,023**	11,420,642
Write-down/(reversal of write-down) of inventories	**33,869**	(7,881)
	15,268,892	11,412,761

19. Trade Receivables and Other Receivables

	2019 RMB'000	2018 RMB'000
Trade receivables	**3,937,620**	2,558,509
Less: loss allowance	**(41,346)**	(53,611)
	3,896,274	2,504,898
Other receivables:		
Advance payments to suppliers	**732,311**	664,069
Deposits and other prepayments	**1,032,181**	924,989
VAT deductible	**464,284**	381,786
Interest receivables	**37,287**	68,679
Derivative financial instruments	**2,415**	–
Others	**143,823**	93,779
	2,412,301	2,133,302

All of the trade receivables and other receivables (net of loss allowance) are expected to be recovered or recognised as expenses within one year. An ageing analysis of the trade receivables, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Current	**3,835,260**	2,484,316
Less than 3 months past due	**71,037**	54,145
Past due over 3 months	**31,323**	20,048
	3,937,620	2,558,509

The movement in the loss allowance account for trade receivables during the year is as follows:

	2019 RMB'000	2018 RMB'000
As at 1 January	**53,611**	29,164
(Reversal of impairment loss)/impairment loss recognised (note 4)	**(12,265)**	24,447
As at 31 December	**41,346**	53,611

The Group normally grants a credit period of 30 to 90 days to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 30(a).

20. Pledged Deposits

As at 31 December 2019, certain bank deposits have been pledged as security for certain contracts.

21. Cash and Cash Equivalents, Fixed Deposits held at Banks and Other Cash Flow Information

(a) Cash and cash equivalents and fixed deposits held at banks comprise:

	2019 RMB'000	2018 RMB'000
Fixed deposits with banks within three months to maturity when placed	**6,950,884**	6,125,812
Cash at bank and in hand	**1,267,054**	2,457,864
Deposits with other financial institutions	**2,810**	–
Short-term investments	**–**	700,000
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**8,220,748**	9,283,676
Fixed deposits with banks with more than three months to maturity when placed	**4,381,906**	807,778
	12,602,654	10,091,454

As at 31 December 2019, the balances that were placed with banks in Mainland China amounted to RMB7,572,850,000 (2018: RMB5,554,333,000). Remittance of funds out of Mainland China is subject to the exchange restrictions imposed by government.

(b) Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans RMB'000	Bills payable (financing in nature) RMB'000	Lease liabilities RMB'000	Total RMB'000
As at 1 January 2019 (as previously reported)	**1,313,559**	**469,346**	**–**	**1,782,905**
Effect of the initial application of IFRS/HKFRS 16	**–**	**–**	**1,662,728**	**1,662,728**
As at 1 January 2019 (as restated)	**1,313,559**	**469,346**	**1,662,728**	**3,445,633**
Changes from financing cash flows:				
Drawdown of new bank loans	**7,733,416**	**–**	**–**	**7,733,416**
Repayment of bank loans	**(1,297,641)**	**–**	**–**	**(1,297,641)**
Payments of interest expense on bank loans	**(109,741)**	**–**	**–**	**(109,741)**
Net proceeds from bills of exchange	**–**	**730,654**	**–**	**730,654**
Payments of lease liabilities	**–**	**–**	**(1,160,213)**	**(1,160,213)**
Total changes from financing cash flows	**6,326,034**	**730,654**	**(1,160,213)**	**5,896,475**
Other changes:				
Increase in lease liabilities from entering into new leases during the year	**–**	**–**	**1,489,622**	**1,489,622**
Interest expenses	**155,681**	**–**	**93,853**	**249,534**
Exchange adjustment	**189,370**	**–**	**–**	**189,370**
Other	**17,801**	**–**	**(221,561)**	**(203,760)**
Total other changes	**362,852**	**–**	**1,361,914**	**1,724,766**
As at 31 December 2019	**8,002,445**	**1,200,000**	**1,864,429**	**11,066,874**

21. Cash and Cash Equivalents, Fixed Deposits held at Banks and Other Cash Flow Information (Continued)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Bank loans RMB'000	Bills payable (financing in nature) RMB'000	Other payables (financing in nature) RMB'000	Total RMB'000
As at 1 January 2018	147,911	–	–	147,911
Changes from financing cash flows:				
Drawdown of new bank loans	1,165,428	–	–	1,165,428
Repayment of bank loans	(157,429)	–	–	(157,429)
Proceeds from bills of exchange	–	469,346	–	469,346
Repayment of other payables (financing in nature)	–	–	(116,000)	(116,000)
Total changes from financing cash flows	1,007,999	469,346	(116,000)	1,361,345
Other changes:				
Additions through acquisition of a subsidiary	101,000	–	116,000	217,000
Exchange adjustment	56,649	–	–	56,649
Total other changes	157,649	–	116,000	273,649
As at 31 December 2018	1,313,559	469,346	–	1,782,905

22. Bank Loans

	2019 RMB'000	2018 RMB'000
Current		
– Unsecured bank loans	**1,358,850**	1,221,559
– Secured bank loans	**–**	22,000
	1,358,850	1,243,559
Non-current		
– Unsecured bank loans	**6,643,595**	–
– Secured bank loans	**–**	70,000
	6,643,595	70,000
Total bank loans	**8,002,445**	1,313,559

All bank loans are denominated in Euro, United States Dollars, Renminbi and Hong Kong Dollars and are measured at amortised cost.

23. Trade Payables, Bills Payable and Other Payables

	2019 RMB'000	2018 RMB'000
Trade payables	**2,962,645**	1,792,253
Bills payable and other payables:		
Bills payable (financing in nature)	**1,200,000**	469,346
Contract liabilities(i)	**1,588,119**	892,962
Construction costs payables	**132,353**	133,606
VAT and other taxes payables	**495,024**	233,788
Accruals	**1,691,094**	1,547,675
Other payables	**714,076**	563,599
	5,820,666	3,840,976

(i) Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to RMB855,615,000 (2018: RMB729,807,000) was recognised in the reporting period.

All of the trade payables, bills payable 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 trade payables, based on the invoice date, is as follows:

	2019 RMB'000	2018 RMB'000
Within 3 months	**2,938,845**	1,753,289
3 months to 6 months	**12,033**	25,198
Over 6 months	**11,767**	13,766
	2,962,645	1,792,253

Bills payable (financing in nature) were bills of exchange which were denominated at Renminbi, measured at amortised cost and repayable within one year.

24. Employee Retirement Benefits

Defined contribution retirement plans

The Mainland China subsidiaries of the Group participate in defined contribution retirement benefit schemes ("the Schemes") organised by the municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes at the applicable rates 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$30,000. Contributions to the plan vest immediately.

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

25. Equity-settled Share-based Payment Transactions

(a) Share option scheme

Share Option Scheme I

The Company adopted a share option scheme ("the Share Option Scheme I") pursuant to the shareholders' written resolution passed on 11 June 2007. The Board may, at its absolute discretion, offer options to the eligible persons (as defined in the Share Option Scheme I) to subscribe for such number of shares of the Company in accordance with the terms set out in the Share Option Scheme I. Each option gives the holder the right to subscribe for one ordinary share of the Company.

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

	Number of options '000	**Vesting conditions**	**Contractual life of options**
Options granted to a Director:			
– on 15 September 2010	1,000	1.5 years to 3.5 years from the date of grant	10 years
Options granted to employees:			
– on 15 September 2010	31,120	1.5 years to 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:

	2019		2018	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$16.20**	**3,783**	HK$16.20	4,118
Exercised during the year	**HK$16.20**	**(1,201)**	HK$16.20	(335)
Outstanding at the end of the year	**HK$16.20**	**2,582**	HK$16.20	3,783
Exercisable at the end of the year	**HK$16.20**	**2,582**	HK$16.20	3,783

The Share Option Scheme I was valid and effective for a period of 10 years from the adoption of the scheme on 11 June 2007. Pursuant to a resolution passed by the shareholders of the Company in the annual general meeting dated 6 April 2017, the Share Option Scheme I was terminated. All outstanding share options granted under the Share Option Scheme I shall continue to be valid and exercisable in accordance with the Share Option Scheme I.

The weighted average share price at the date of exercise for share options exercised during the year was HK$64.08 (2018: HK$44.71).

The options outstanding at 31 December 2019 had an exercise price of HK$16.20 (2018: HK$16.20) and a weighted average remaining contractual life of less than 1 year (2018: 2 years).

25. Equity-settled Share-based Payment Transactions (Continued)

(a) Share option scheme (Continued)

Share Option Scheme II

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 6 April 2017, to enable the continuity of terminated Share Option Scheme I, the Company has adopted a new share option scheme ("Share Option Scheme II") which has similar terms as Share Option Scheme I. The Share Option Scheme II shall be valid and effective for a period of 10 years from the adoption of the scheme on 6 April 2017.

The purpose of the Share Option Scheme II is to motivate the eligible persons (as defined in the Share Option Scheme II) to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives (as defined in the Share Option Scheme II), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

Since the adoption of the Share Option Scheme II, no options have been granted under the Share Option Scheme II.

(b) Share award scheme

The Company has adopted a share award scheme ("Share Award Scheme") on 19 October 2018 in which employees of the Group will be entitled to participate, and shall be valid and effective for a term of 10 years commencing on adoption date. The specific objectives of Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and (ii) to attract suitable personnel for further development of the Group.

Pursuant to the Share Award Scheme, existing shares of the Company will be purchased by the professional trustee appointed by the Company for the administration of the scheme from the open market out of cash contributed by the Group and be held in trust for selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the scheme.

During the year, pursuant to the Share Award Scheme, 8,555,000 ordinary shares (2018: Nil) in the Company were purchased on the open market by the trustee. Total consideration paid during the year, including all relevant expenses, were RMB444,688,000 (2018: Nil).

The terms and conditions of the grants of awarded shares are as follows:

	Number of awarded shares '000	Vesting conditions
Awarded shares granted to a Director:		
– on 5 November 2019	1,000	0.5 years to 4.5 years from the date of grant
Awarded shares granted to employees:		
– on 5 November 2019	10,170	0.5 years to 4.5 years from the date of grant
Total awarded shares	11,170	

The fair value of the awarded shares was measured based on the market price of the Company's shares at the respective grant date. No expected dividends were incorporated into the measurement of fair value.

The number and weighted average fair value of the awarded shares granted during the year ended 31 December 2019 were 11,170,000 shares and HK$78.05 per awarded share respectively.

26. 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 provisions for PRC Corporate Income Tax of RMB1,213,479,000 and income taxes of other tax jurisdictions of RMB11,483,000.

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

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

Deferred tax arising from:	Dividend withholding tax RMB'000	Other deferred tax liabilities RMB'000	Accruals RMB'000	Other deferred tax assets RMB'000	Total RMB'000
As at 1 January 2018	207,269	8,061	(294,518)	(35,680)	(114,868)
Charged/(credited) to profit or loss (note 5(a))	113,932	13,842	(66,165)	(6,471)	55,138
Released upon distribution of dividends (note 5(a)(iii))	(106,611)	–	–	–	(106,611)
As at 31 December 2018 and 1 January 2019	**214,590**	**21,903**	**(360,683)**	**(42,151)**	**(166,341)**
Charged/(credited) to profit or loss (note 5(a))	**249,790**	**9,166**	**(163,666)**	**(63,917)**	**31,373**
Released upon distribution of dividends (note 5(a)(iii))	**(239,197)**	**–**	**–**	**–**	**(239,197)**
Others	**–**	**–**	**–**	**(116,010)**	**(116,010)**
As at 31 December 2019	**225,183**	**31,069**	**(524,349)**	**(222,078)**	**(490,175)**

(ii) Reconciliation to the consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(746,427)**	(402,834)
Net deferred tax liability recognised in the consolidated statement of financial position	**256,252**	236,493
	(490,175)	(166,341)

26. Taxation in the Consolidated Statement of Financial Position (Continued)

(c) Deferred tax assets not recognised:

As at 31 December 2019, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB456,317,000 (2018: RMB357,509,000) of which RMB346,938,000 (2018: RMB258,261,000) 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 2019, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in Mainland China amounted to RMB6,495,915,000 (2018: RMB4,372,039,000). Deferred tax liabilities of RMB324,796,000 (2018: RMB218,602,000) 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 Mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

27. Share Capital

	Par value HK$	Number of Shares '000	Nominal value of ordinary shares HK$'000
Authorised:			
Ordinary shares			
As at 31 December 2018 and 2019	**0.10**	**5,000,000**	**500,000**

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

	Par value HK$	Number of Shares '000	Nominal value of ordinary shares HK$'000	RMB'000
Issued and fully paid:				
As at 1 January 2018	0.10	2,684,569	268,457	259,010
Shares issued pursuant to share option schemes	0.10	335	33	28
As at 31 December 2018 and 1 January 2019	**0.10**	**2,684,904**	**268,490**	**259,038**
Shares issued pursuant to share option schemes	**0.10**	**1,201**	**120**	**107**
Shares issued pursuant to a share subscription agreement	**0.10**	**15,842**	**1,585**	**1,409**
As at 31 December 2019	**0.10**	**2,701,947**	**270,195**	**260,554**

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 share option schemes (note 25), options were exercised to subscribe for 1,200,900 ordinary shares (2018: 335,000 shares) in the Company at a consideration of RMB17,359,000 (2018: RMB4,446,000) of which RMB107,000 (2018: RMB28,000) was credited to share capital and the balance of RMB17,252,000 (2018: RMB4,418,000) was credited to the share premium account. RMB4,812,000 (2018: RMB1,232,000) has been transferred from the share-based compensation reserve to the share premium account. No options were lapsed during the year (2018: Nil). As at 31 December 2019, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's share option schemes is 2,582,000 (2018: 3,783,000).

On 30 May 2019, the Company entered into a share subscription agreement to allot and issue new shares of the Company to a subscriber. A total of 15,842,000 new shares were allotted and issued at HK$49.11 per share to the subscriber by the Company. The subscription was completed on 28 June 2019. The gross and net proceeds after deducting all relevant expenses were approximately RMB691,929,000, out of which RMB1,409,000 was credited to share capital and RMB690,520,000 was credited to the share premium account.

28. Reserves

The Group

	Note	Shares held for share award scheme RMB'000 Note 25(b)	Share premium RMB'000 Note 28(a)	Capital reserve RMB'000 Note 28(b)	Statutory reserve RMB'000 Note 28(c)	Fair value reserve (non-recycling) RMB'000 Note 28(d)	Exchange reserve RMB'000 Note 28(e)	Share-based compensation reserve RMB'000 Note 28(f)	Share of other comprehensive income of a joint venture RMB'000	Retained profits RMB'000	Total RMB'000
Balances as at 1 January 2018		–	3,841,098	175,623	1,110,602	–	(627,625)	16,603	–	8,931,094	13,447,395
Profit for the year		–	–	–	–	–	–	–	–	4,102,855	4,102,855
Other comprehensive income for the year		–	–	–	–	174,768	213,859	–	–	–	388,627
Total comprehensive income for the year		–	–	–	–	174,768	213,859	–	–	4,102,855	4,491,482
Dividends approved in respect of the previous year	29(b)	–	–	–	–	–	–	–	–	(1,238,208)	(1,238,208)
Dividends declared in respect of the current year	29(a)	–	–	–	–	–	–	–	–	(1,186,850)	(1,186,850)
Forfeiture of unclaimed dividends		–	55	–	–	–	–	–	–	–	55
Shares issued pursuant to share option schemes	27	–	5,650	–	–	–	–	(1,232)	–	–	4,418
Appropriation to statutory reserve	28(c)	–	–	–	194,536	–	–	–	–	(194,536)	–
As at 31 December 2018 and 1 January 2019		**-**	**3,846,803**	**175,623**	**1,305,138**	**174,768**	**(413,766)**	**15,371**	**-**	**10,414,355**	**15,518,292**
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,344,148**	**5,344,148**
Other comprehensive income for the year		**-**	**-**	**-**	**-**	**25,563**	**63,824**	**-**	**(64,872)**	**-**	**24,515**
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**25,563**	**63,824**	**-**	**(64,872)**	**5,344,148**	**5,368,663**
Disposal of interests in a joint venture		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,618**	**(4,618)**	**-**
Dividends approved in respect of the previous year	29(b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(652,466)**	**(652,466)**
Dividends declared in respect of the current year	29(a)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(764,151)**	**(764,151)**
Shares issued under a subscription agreement	27	**-**	**690,520**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**690,520**
Shares purchased pursuant to share award scheme	25(b)	**(444,688)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(444,688)**
Shares issued pursuant to share option schemes	27	**-**	**22,064**	**-**	**-**	**-**	**-**	**(4,812)**	**-**	**-**	**17,252**
Disposal of equity investments measured at FVOCI	28(d)	**-**	**-**	**-**	**-**	**(180,895)**	**-**	**-**	**-**	**180,895**	**-**
Equity-settled share-based payment transactions	28(f)	**-**	**-**	**-**	**-**	**-**	**-**	**87,700**	**-**	**-**	**87,700**
Appropriation to statutory reserve	28(c)	**-**	**-**	**-**	**114,960**	**-**	**-**	**-**	**-**	**(114,960)**	**-**
Balances as at 31 December 2019		**(444,688)**	**4,559,387**	**175,623**	**1,420,098**	**19,436**	**(349,942)**	**98,259**	**(60,254)**	**14,403,203**	**19,821,122**

28. Reserves (Continued)

The Company

	Note	Shares held for share award scheme RMB'000 Note 25(b)	Share premium RMB'000 Note 28(a)	Exchange reserve RMB'000 (Note 28(e))	Share-based compensation reserve RMB'000 (Note 28(f))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2018		–	3,841,098	(720,651)	16,603	4,085,344	7,222,394
Profit for the year		–	–	–	–	1,974,409	1,974,409
Other comprehensive income for the year		–	–	278,280	–	–	278,280
Total comprehensive income for the year		–	–	278,280	–	1,974,409	2,252,689
Dividends approved in respect of the previous year	29(b)	–	–	–	–	(1,238,208)	(1,238,208)
Dividends declared in respect of the current year	29(a)	–	–	–	–	(1,186,850)	(1,186,850)
Forfeiture of unclaimed dividends		–	55	–	–	–	55
Shares issued pursuant to share option schemes	27	–	5,650	–	(1,232)	–	4,418
As at 31 December 2018 and 1 January 2019	9	**–**	**3,846,803**	**(442,371)**	**15,371**	**3,634,695**	**7,054,498**
Profit for the year		**–**	**–**	**–**	**–**	**3,920,104**	**3,920,104**
Other comprehensive income for the year		**–**	**–**	**135,566**	**–**	**–**	**135,566**
Total comprehensive income for the year		**–**	**–**	**135,566**	**–**	**3,920,104**	**4,055,670**
Dividends approved in respect of the previous year	29(b)	**–**	**–**	**–**	**–**	**(652,466)**	**(652,466)**
Dividends declared in respect of the current year	29(a)	**–**	**–**	**–**	**–**	**(764,151)**	**(764,151)**
Shares issued under a share subscription agreement	27	**–**	**690,520**	**–**	**–**	**–**	**690,520**
Shares purchased pursuant to share award scheme	25(b)	**(444,688)**	**–**	**–**	**–**	**–**	**(444,688)**
Shares issued pursuant to share option schemes	27	**–**	**22,064**	**–**	**(4,812)**	**–**	**17,252**
Equity-settled share-based payment transactions	28(f)	**–**	**–**	**–**	**87,700**	**–**	**87,700**
As at 31 December 2019	9	**(444,688)**	**4,559,387**	**(306,805)**	**98,259**	**6,138,182**	**10,044,335**

The Group, including the Company, has initially applied IFRS/HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 34.

(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, comprising share premium and retained profits, of the Company as at 31 December 2019 was HK$11,487,821,000 (2018: HK$7,951,029,000).

28. Reserves (Continued)

(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 ANTA Investment Limited (formerly known as 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.

On 26 July 2017, the non-controlling shareholders of Full Prospect Sports Limited ("Full Prospect"), a subsidiary of the Group, requested to convert all its class B shares of Full Prospect to ordinary shares in accordance with the articles of Full Prospect. The long-term payable to non-controlling interests related to the class B shares was therefore derecognised. Such derecognition was reflected as a corresponding increase in capital reserve (amounting to RMB34,594,000) and non-controlling interest.

(c) Statutory reserve

Pursuant to applicable PRC regulations, Mainland China subsidiaries are required to appropriate 10% of their profit after tax (after offsetting prior years' 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) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity instruments designated as measured at FVOCI under IFRS/HKFRS 9 that are held at the end of the reporting period.

(e) Exchange reserve

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

(f) Share-based compensation reserve

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

(g) 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 the total equity attributable to equity shareholders of the Company in the consolidated statement of financial position.

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

29. Dividends

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

	2019 RMB'000	2018 RMB'000
Interim dividend declared and paid of HK31 cents per ordinary share (2018: HK50 cents per ordinary share)	**764,151**	1,186,850
Final dividend recommended after the end of the reporting period of HK36 cents per ordinary share (2018: HK28 cents per ordinary share)	**877,723**	652,466
	1,641,874	1,839,316

The final dividend recommended after the end of the reporting period has not been recognised as liabilities as at the end of the reporting period.

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

	2019 RMB'000	2018 RMB'000
Final dividend in respect of the year ended 31 December 2018, approved and paid during the year, of HK28 cents per ordinary share (2017: HK41 cents per ordinary share)	**652,466**	890,641
Special dividend*	**—**	347,567
	652,466	1,238,208

**The amount represented special dividend in respect of the financial year ended 31 December 2017, approved and paid during 2018.*

30. Financial Risk Management and Fair Values

Exposure to credit, liquidity, interest rate 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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from pledged deposits, deposits with banks and cash and cash equivalents are limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Except for the financial guarantee given by the Group relating to a joint venture as set out in note 16, the Group does not provide any other guarantees which would expose the Group to credit risk.

In respect of trade 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 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. At the end of the reporting period, 3% (2018: 3%) and 11% (2018: 13%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

30. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

The Group measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses ("ECLs"), which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2019					
	Expected loss rate	Gross carrying amount excluding specific debtor(s) RMB'000	Loss allowance excluding specific debtor(s) RMB'000	Gross carrying amount of specific debtor(s) RMB'000	Loss allowance of specific debtor(s) RMB'000	Total loss allowance RMB'000
Current	**0.13%**	**3,827,406**	**(4,976)**	**7,854**	**(7,854)**	**(12,830)**
Less than 3 months past due	**6.20%**	**67,741**	**(4,200)**	**3,296**	**(3,296)**	**(7,496)**
Past due over 3 months	**50.00%**	**20,607**	**(10,304)**	**10,716**	**(10,716)**	**(21,020)**
		3,915,754	**(19,480)**	**21,866**	**(21,866)**	**(41,346)**

	2018					
	Expected loss rate	Gross carrying amount excluding specific debtor(s) RMB'000	Loss allowance excluding specific debtor(s) RMB'000	Gross carrying amount of specific debtor(s) RMB'000	Loss allowance of specific debtor(s) RMB'000	Total loss allowance RMB'000
Current	0.43%	2,463,057	(10,591)	21,259	(21,259)	(31,850)
Less than 3 months past due	8.00%	49,926	(3,994)	4,219	(4,219)	(8,213)
Past due over 3 months	50.00%	13,001	(6,501)	7,047	(7,047)	(13,548)
		2,525,984	(21,086)	32,525	(32,525)	(53,611)

The Group keeps assessing the expected loss rates based on the Group's historical credit loss experience over the past years, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period over the expected lives of the receivables.

30. Financial Risk Management and Fair Values (Continued)

(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 investments of cash surplus and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

The following table details the remaining contractual maturities as at the end of the reporting period of the Group's non-derivative financial liabilities and derivative financial instruments, 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 can be required to pay:

	Contractual undiscounted cash outflows/(inflows)					Carrying amount on consolidated statement of financial position
	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	RMB'000
As at 31 December 2019						
Non-derivative financial liabilities:						
Bank loans	**1,491,959**	**451,324**	**6,611,965**	**–**	**8,555,248**	**8,002,445**
Trade payables	**2,962,645**	**–**	**–**	**–**	**2,962,645**	**2,962,645**
Bills payable and other payables	**5,820,666**	**–**	**–**	**–**	**5,820,666**	**5,820,666**
Lease liabilities	**1,174,416**	**560,022**	**346,984**	**17,471**	**2,098,893**	**1,864,429**
Amounts due to related parties	**25,886**	**–**	**–**	**–**	**25,886**	**25,886**
	11,475,572	**1,011,346**	**6,958,949**	**17,471**	**19,463,338**	**18,676,071**
Derivative financial instruments:						
Forward foreign exchange contracts						
outflow	**204,124**	**–**	**–**	**–**	**204,124**	
inflow	**(204,216)**	**–**	**–**	**–**	**(204,216)**	
As at 31 December 2018						
Non-derivative financial liabilities:						
Bank loans	1,259,680	29,111	45,903	–	1,334,694	1,313,559
Trade payables	1,792,253	–	–	–	1,792,253	1,792,253
Bills payable and other payables	3,840,976	–	–	–	3,840,976	3,840,976
Amounts due to related parties	21,199	–	–	–	21,199	21,199
	6,914,108	29,111	45,903	–	6,989,122	6,967,987

30. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank loans. All of the bank deposits and other bank loans of the Group are fixed rate instruments and are insensitive to any change in market interest rates.

The Group actively monitors the interest rate fluctuation to ensure that its net exposure is kept to an acceptable level.

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans as at the end of the reporting period:

	2019 Effective interest rate	**2019** RMB'000	2018 Effective interest rate	2018 RMB'000
Fixed rate instruments:				
Bank loans	**2.24%~3.80%**	**1,358,850**	2.34%~4.10%	1,221,559
Variable rate instruments:				
Bank loans	**EURIBOR +1.75%**	**6,643,595**	105% of the benchmark lending rate of People's Bank of China	92,000
Total		**8,002,445**		1,313,559
Fixed rate instruments as a percentage of total instruments		**17%**		93%

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates for floating rate bank loans, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB66,436,000 (2018: RMB690,000). Other components of consolidated equity would not be affected (2018: 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 the 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 the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the 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 as 2018.

30. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through contractual obligations, bank deposits and bank loans 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 Group actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

(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 foreign operations into the Group's presentation currency are excluded in below table.

	Exposure to foreign currencies (expressed in Renminbi)							
	2019 Renminbi RMB'000	**2019 Hong Kong Dollars RMB'000**	**2019 United States Dollars RMB'000**	**2019 Euros RMB'000**	2018 Renminbi RMB'000	2018 Hong Kong Dollars RMB'000	2018 United States Dollars RMB'000	2018 Euros RMB'000
Cash and cash equivalents	**35,746**	**8,776**	**36,491**	**57,078**	2,709,647	2,479	768,044	–
Fixed deposits held at banks with maturity over three months	**400,000**	**–**	**201,633**	**–**	600,000	–	207,778	–
Pledged deposits	**–**	**–**	**–**	**–**	1,800	–	–	–
Trade receivables	**–**	**–**	**31,069**	**–**	–	–	7,124	–
Other receivables	**2,723**	**–**	**27**	**–**	25,226	–	30,250	–
Amount due from group companies	**118,320**	**785,336**	**32,543**	**–**	448,167	–	1,559	–
Listed held-to-maturity debt securities	**–**	**–**	**–**	**–**	–	–	107,602	–
Bank loans	**(600,000)**	**–**	**–**	**–**	(600,000)	–	–	–
Trade payables	**–**	**–**	**(57,008)**	**–**	–	–	(96,541)	–
Bills payable and other payables	**–**	**–**	**(12,991)**	**(51)**	–	–	(19,778)	–
Amount due to group companies	**(35,000)**	**(10,189)**	**(34,813)**	**–**	–	(31,483)	(3,463)	–
Gross exposure to currency risk	**(78,211)**	**783,923**	**196,951**	**57,027**	3,184,840	(29,004)	1,002,575	–
Notional amounts of forward foreign exchange contracts	**–**	**–**	**(204,124)**	**–**	–	–	–	–
Net exposure to currency risk	**(78,211)**	**783,923**	**(7,173)**	**57,027**	3,184,840	(29,004)	1,002,575	–

30. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	2019 Increase/ (decrease) in foreign exchange rates in %	2019 Effect on profit after taxation and retained profits RMB'000	2019 Effect on other components of equity RMB'000	2018 Increase/ (decrease) in foreign exchange rates in %	2018 Effect on profit after taxation and retained profits RMB'000	2018 Effect on other components of equity RMB'000
Renminbi	**5**	**(3,911)**	**3,911**	5	159,242	(159,242)
	(5)	**3,911**	**(3,911)**	(5)	(159,242)	159,242
Hong Kong Dollars	**5**	**39,172**	**(37,246)**	5	(1,186)	(24,816)
	(5)	**(39,172)**	**37,246**	(5)	1,186	24,816
United States Dollars	**5**	**(510)**	**201,533**	5	(2,100)	127,987
	(5)	**510**	**(201,533)**	(5)	2,100	(127,987)
Euros	**5**	**2,852**	**(332,179)**	5	–	–
	(5)	**(2,852)**	**332,179**	(5)	–	–

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 taxation (and retained profits) and other components of consolidated 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 risk 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 is performed on the same basis for 2018.

30. Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS/HKFRS 13, Fair Value Measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurements as at 31 December 2019 categorised into		
	Total RMB'000	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**
Recurring fair value measurements				
Financial assets:				
Equity instruments:				
– Unlisted equity investments	**63,686**	**–**	**–**	**63,686**
Derivative financial instruments:				
– Forward foreign exchange contracts	**2,415**	**–**	**2,415**	**–**

		Fair value measurements as at 31 December 2018 categorised into		
	Total RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements				
Financial assets:				
Equity instruments:				
– Listed equity investments	506,567	506,567	–	–
– Unlisted equity investments	63,520	–	–	63,520

During the year ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial assets in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rate as at the end of the reporting period.

Information about Level 3 fair value measurements

The fair value of the unlisted equity investment is determined by using the adjusted net assets value method and comparable company method. The effects of unobservable inputs are not significant for equity investment.

30. Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement (Continued)

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of all financial assets and liabilities measured at amortised cost are not materially different from their fair values as at 31 December 2019.

31. Commitments

(a) Operating leases

The Group has initially applied IFRS/HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 34). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in (l).

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases which were previously classified as operating leases under IAS/HKAS 17 were payable as follows:

	31 December 2018 RMB'000
Within 1 year	1,043,373
After 1 year but within 5 years	744,346
After 5 years	29,470
	1,817,189

(b) Capital commitments

Capital commitments outstanding as at 31 December 2019 not provided for in the financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Contracted for	**1,219,286**	1,385,354
Authorised but not contracted for	**466,120**	245,907
	1,685,406	1,631,261

32. Material Related Party Transactions

(a) Transactions with related parties

In addition to the transactions disclosed in note 16, during the reporting period the Group entered into the following transactions with related parties:

	2019 RMB'000	2018 RMB'000
Recurring transactions		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. ("Quanzhou Anda")	**91,346**	82,634
Service fees		
– Mr. Ding Shijia (and his associates)	**19,868**	20,082

The Directors considered that the above related party transactions were in ordinary and usual course of business of the Group, on normal commercial terms or better, and fair and reasonable.

The above related party transactions also fall under the definition of continuing connected transactions in Chapter 14A of the Listing Rules. The Company has complied with the requirements in accordance with Chapter 14A of the Listing Rules.

(b) Balances with related parties

	2019 RMB'000	2018 RMB'000
Amounts due to related parties		
Trade balance		
– Quanzhou Anda	**13,466**	14,016
Other balance		
– Mr. Ding Shijia (and his associates)	**12,420**	7,183
	25,886	21,199

The amounts due to related parties are unsecured, interest free and are 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 Executive Directors were as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**21,078**	10,580
Equity-settled share-based payment transactions	**7,803**	–

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

33. Significant Accounting Estimates and Judgements

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 financial statements. The Group believes the following critical accounting policies involve the most significant estimates and judgements used in the preparation of the financial statements. Accounting estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(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 of disposal 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) Loss allowance for trade receivables

The Group estimates the loss allowances for trade receivables by assessing the ECLs. This requires the use of estimates and judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which such estimate is changed. The Group keeps assessing the expected credit loss of trade receivables during their expected lives.

(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.

34. Revised IFRSs/HKFRSs

The IASB and HKICPA have issued IFRS/HKFRS 16*, Leases* ("IFRS/HKFRS 16") and a number of amendments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group.

Except for IFRS/HKFRS 16, none of the other developments to IFRS and HKFRS that are first effective for the current accounting period of the Group have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the consolidated financial statements.

The Group has initially applied IFRS/HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach. Under the transition methods chosen, there is no significant cumulative effect of the initial application of IFRS/HKFRS 16 recognised by the Group as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under IAS/HKAS 17*, Lease* ("IAS/HKAS 17").

IFRS/HKFRS 16, *Leases*

IFRS/HKFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments under a lease. There are optional exemptions for short-term leases (i.e. where the lease term is 12 months or less) and leases of low-value assets. In addition, the nature of expenses related to those leases will change as IFRS/HKFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. Lessor accounting remains similar to the previous standard.

IFRS/HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

(a) New definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IAS/HKAS 17. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. The change in the definition of a lease mainly relates to the concept of control. IFRS/HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

On transition to IFRS/HKFRS 16, contracts that were not identified as leases under IAS/HKAS 17 were not reassessed. The Group has applied the new definition of a lease in IFRS/HKFRS 16 only to contracts that are entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

(b) Lessee accounting

The Group leases a number of assets, mainly properties. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS/HKFRS 16, the Group recognises right-of-use assets and lease liabilities for leases under a single on-balance sheet model and presented separately in the statement of financial position.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative standalone prices. However, for leases of properties in which it is a lessee, the Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. If the Group decides not to capitalise the lease of a low-value asset, the Group recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term. For an explanation of how the Group applies lessee accounting, see (l).

34. Revised IFRSs/HKFRSs (Continued)

(b) Lessee accounting (Continued)

Transition

Previously, the Group classified all property leases as operating leases under IAS/HKAS 17. The rental contracts typically run for fixed periods of 1 to 5 years. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The Group also used the practical expedient that using a single discount rate to a portfolio of leases with reasonably similar characteristics, right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

(c) Impacts on financial statements

Upon initial application of IFRS/HKFRS 16, the Group adjusted the opening balances as at 1 January 2019 to recognise lease liabilities and the corresponding right-of-use assets for all the leases that were previously classified as operating leases under IAS/HKAS 17, after taking account the effects of discounting.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 4.75%.

	Carrying amount at 1 January 2019 RMB'000
Operating lease commitments at 31 December 2018	**1,817,189**
Discount using the incremental borrowing rate at 1 January 2019	**(154,461)**
Right-of-use assets and lease liabilities newly recognised at 1 January 2019	**1,662,728**

In the past, lease prepayments (and lease prepayment contained in constructions in progress) represented prepayments of land use rights premiums to government authorities. The Group's leasehold land is located in Mainland China. The Group is granted land use rights for a period of 50 years. Upon initial application of IFRS/HKFRS 16, the net carrying amount of those lease prepayments was reclassified to right-of-use assets for presentation purpose. Also, there were no ongoing payment obligations under the terms of the land lease, so no lease liabilities were recognised.

35. Non-adjusting Events after the Reporting Period

(a) After the end of the reporting period, the Group issued principal amounts of EUR1,000,000,000 (equivalent to RMB7,714,481,000) zero coupon convertible bonds due 2025 (the "Bonds") on 5 February 2020. The Bonds may be converted into shares of the Company pursuant to its terms and conditions. Based on the initial conversion price of HKD105.28 per share (subject to adjustment) and assuming full conversion of the Bonds, the Bonds will be convertible into 82,129,559 conversion shares.

(b) After the end of the reporting period the Directors recommended a final dividend of HK36 cents per share. Further details are disclosed in note 29.

(c) The outbreak of the 2019 novel coronavirus disease (COVID-19) (the "Pandemic") in China since early 2020 has certain impacts on the Group's business operation and even the overall economy. The Group has been monitoring closely the Pandemic, formulating responses after due consideration and taking all possible effective measures to limit and keep the impact in control.

The Group is closely monitoring the market situation and continuously evaluating the impact of the Pandemic on the Group's operation and financial performance. The Group expects that under the current special circumstances the industry and financial performance of the Group will inevitably be affected in the first half of 2020, and expects the recovery will come in the second half of 2020 at the soonest. Up to the date of the report, the assessment is still in progress.

(Expressed in Renminbi unless otherwise indicated)

36. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2019

Up to the date of issue of these financial statements, the IASB and HKICPA have issued a number of amendments and a new standard, IFRS/HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IFRS/HKFRS 3, *Definition of a business*	1 January 2020
Amendments to IAS/HKAS 1 and IAS/HKAS 8, *Definition of material*	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments 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 consolidated financial statements.

37. Immediate and Ultimate Holding Company

The Directors consider the immediate and ultimate holding company of the Company as at 31 December 2019 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 24 March 2020.

(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 financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("IASs") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB"). Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and related Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), are consistent with IFRSs. These financial statements also complied with all applicable HKFRSs, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

(B) Basis of Preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (collectively the "Group") and the Group's investment in a joint venture. These financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, and are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting polices set out below:

– Equity investments (see (E))

– Derivative financial instruments (see (N))

The preparation of financial statements in conformity with IFRSs/HKFRSs 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/HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 33.

(C) Subsidiaries and Non-Controlling Interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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 non-controlling interests' 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 profit or loss and other 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) Subsidiaries and Non-Controlling Interests (Continued)

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

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 (see (E)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see (D)).

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

(D) Joint Venture

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see (J)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the joint venture (after applying the ECL model to such other long-term interests where applicable) (see (J)(i)).

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see (E)).

(E) Other Investments

The Group's policies for investments in debt securities and equity investments, other than investments in subsidiaries and investment in a joint venture, are set out below.

Debt securities and equity investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

Debt securities

Debt securities held by the Group are measured at amortised cost, as the instruments are held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see (V)(ii)).

Equity investments

Equity investments are classified as measured at FVTPL unless the equity investments are not held for trading purposes and on initial recognition of the investments the Group makes an irrevocable election to designate the investments as measured at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits. It is not recycled through profit or loss. Dividends from an equity investment, irrespective of whether classified as measured at FVTPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in (V)(iv).

(F) 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	3-10 years
– Retail outlets leasehold improvements	1-2 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(G) Construction in Progress

Construction in progress represents buildings and property and plant under construction and equipment pending for installation, and is stated at cost less impairment losses (see (J)). Cost comprises direct costs of construction and borrowing costs (see (Z)). 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.

(H) Intangible Assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see (J)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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 lives and method of amortisation are reviewed annually.

(I) Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases (if any) that have a lease term of 12 months or less and leases of low-value assets (if any). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see (J)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(I) Leased Assets (Continued)

As a lessee (Continued)

Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases which did not transfer substantially all the risks and rewards of ownership to the Group as operating leases.

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

(J) Credit Losses and Impairment of Assets

(i) Credit losses from financial assets

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost, including pledged deposits, deposits with banks, cash and cash equivalents, trade receivables and other receivables. Financial assets measured at fair value, including equity investments designated as measured at FVOCI, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade receivables and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the end of the reporting period; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current and forecast general economic conditions at the end of the reporting period.

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

(J) Credit Losses and Impairment of Assets (Continued)

(i) Credit losses from financial assets (Continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset assessed at the end of the reporting period with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial asset's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised (see (V)(ii)) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– the disappearance of an active market for a security because of financial difficulties of the issuer.

(J) Credit Losses and Impairment of Assets (Continued)

(i) Credit losses from financial assets (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each 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;
- right-of-use assets;
- intangible assets;
- construction in progress;
- investment in a joint venture; and
- investments in subsidiaries in the Company-level statement of financial position.

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 of disposal 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 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 of disposal, if measurable, 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 assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

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) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see (V)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see (M)).

(M) Trade Receivables and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see (J)(i)).

(N) Derivative Financial Instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(O) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see (Z)).

(P) Trade Payables, Bills Payable and Other Payables

Payables are initially recognised at fair value, except for financial guarantee liabilities measured in accordance with (Q), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(Q) Financial Guarantee

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "other payables" at fair value, which is determined based upon the probability of default by the specified debtor extrapolated from market-based credit information and the amount of loss, given the default. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(Q) Financial Guarantee (Continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in (J)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(R) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in 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. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in (J)(i).

(S) 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.

(ii) Share-based payment transactions

The fair values of share options and awarded shares granted to employees are recognised as employee costs with corresponding increases in share-based compensation reserve within equity. The fair values are measured at grant date using the (a) in respect of share options, Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted; and (b) in respect of awarded shares, the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or awarded shares, the total estimated fair values of the options and awarded shares are spread over the vesting period, taking into account the probability that the options and awarded shares will vest.

During the vesting period, the numbers of share options and awarded shares that are expected to vest are reviewed. Any resulting adjustments to the cumulative fair values recognised in prior years are charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with corresponding adjustments to the share-based compensation reserve. On vesting date, the amounts recognised as expenses are adjusted to reflect the actual number of options and awarded shares that vest (with corresponding adjustments 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 amounts are recognised in the share-based compensation reserve until (a) in respect of share options, 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); and (b) in respect of awarded shares, the awarded share is vested (when it is transferred to the share premium account).

(T) Income Tax

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.

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.

(T) Income Tax (Continued)

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.

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 the end of each 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.

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 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 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.

(U) Provisions and Contingent Liabilities

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

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

(V) Revenue and other income

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts, rebates and goods returns.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the control of the sporting goods are considered to have been transferred to the customer.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see (J)(i)).

(iii) 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 income 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 in profit or loss upon on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

(iv) Dividends income from equity instruments

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

Dividend income from listed equity investments is recognised when the share price of the investment goes ex-dividend.

(W) 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 is Hong Kong Dollars.

The financial statements are presented in RMB ("presentation currency").

(W) Translation of Foreign Currencies (Continued)

(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 transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities.

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.

(X) 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.

(Y) Dividends

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

(Z) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(AA) 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.

(AA) Related Parties (Continued)

(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).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(BB) 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	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Anta Enterprise Group Limited (“Anta Enterprise”)	BVI/Hong Kong	USD10,000	100%	–	Investment holding
Motive Force Sports Products Limited (“Motive Force”)	BVI/Hong Kong	USD10,000	100%	–	Investment holding
REEDO Sports Products Limited (“REEDO Sports”)	BVI/Hong Kong	USD1	100%	–	Investment holding
ANDES Sports Products Limited (“ANDES Sports”)	BVI/Hong Kong	USD1	100%	–	Investment holding
Origin Force Holding Limited (“Origin Holding”)	BVI/Hong Kong	USD1	100%	–	Investment holding
ANKO Sports Products Limited (“ANKO Sports”)	BVI/Hong Kong	USD1	100%	–	Investment holding
ANKING Sports Products Limited (“ANKING Sports”)	BVI/Hong Kong	USD1	100%	–	Investment holding
ANLLIAN Sports Products Limited (“ANLLIAN Sports”)	BVI/Hong Kong	EUR700,000,001	100%	–	Investment holding
ANTHA Sports Products Limited (“ANTHA Sports”)	BVI/Hong Kong	USD1	100%	–	Investment holding
ANLLIAN Capital Limited (“ANLLIAN Capital”)	BVI/Hong Kong	EUR1	100%	–	Investment holding
ANTA Investment Limited (“ANTA Inv”)	Hong Kong	HK$1,000,000	–	100%	Investment holding
ANTA International Limited (“ANTA Int’l”)	Hong Kong	HK$1	–	100%	Management services
Origin Force Investment Limited (“Origin Investment”)	Hong Kong	HK$1	–	100%	Investment holding
Anta Sports Japan Co., Ltd (“ANTA Japan”) (Note (iv))	Japan	JPY50,000,000	–	100%	Product design
安踏（中國）有限公司（「安踏中國」） ANTA (China) Co., Ltd. (“ANTA China”) (Notes (ii) and (iii))	PRC	RMB593,901,290	–	100%	Manufacturing and trading of sporting goods
長汀安踏體育用品有限公司（「安踏長汀」） Changting ANTA Sports Products Co., Ltd. (“ANTA Changting”) (Notes (ii) and (iii))	PRC	HK$80,000,000	–	100%	Manufacturing of sporting goods
廈門安踏體育用品有限公司（「安踏廈門」） Xiamen ANTA Sports Goods Co., Ltd. (“ANTA Xiamen”) (Notes (ii) and (iii))	PRC	HK$50,000,000	–	100%	Manufacturing of sporting goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
安踏體育用品集團有限公司(「安踏集團」) ANTA Sports Products Group Co., Limited ("ANTA Group") (Notes (i) and (iii))	PRC	HK$1,130,000,000	–	100%	Manufacturing and trading 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 (ii) and (iii))	PRC	RMB261,168,000	–	100%	Trading of sporting goods
廈門群鯉實業有限公司(「廈門群鯉」) Xiamen Qunli Industrial Co., Limited ("Xiamen Qunli Industrial") (Notes (ii) and (iii))	PRC	RMB160,000,000	–	100%	Property development
廈門安踏有限公司(「廈門安踏」) Xiamen ANTA Company Limited ("Xiamen ANTA") (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Investment holding and trading of sporting goods
福建安踏物流信息科技有限公司(「安踏物流」) Fujian ANTA Logistics Information Technology Co., Ltd.("ANTA Logistics") (Notes (ii) and (iii))	PRC	RMB779,000,000	–	100%	Logistics services
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	–	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	RMB20,000,000	–	100%	Retailing of sporting goods
河南安踏體育用品有限公司(「河南安踏」) Henan ANTA Sports Products Limited ("Henan ANTA") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
河南安踏鞋材有限公司(「河南鞋材」) Henan ANTA Material Supply Limited ("Henan Material") (Notes (ii) and (iii))	PRC	RMB150,000,000	–	100%	Manufacturing of shoe sole
泉州安踏鞋材有限公司(「泉州鞋材」) Quanzhou ANTA Material Supply Limited ("Quanzhou Material") (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of shoe sole
泉州市東禕達輕工發展有限公司(「東禕達」) Quanzhou Dongyida Light Industry Development Co., Limited ("Dongyida") (Notes (ii) and (iii))	PRC	RMB53,565,023	–	100%	Manufacturing of shoe sole
上海安踏實業有限公司(「上海安踏實業」) Shanghai ANTA Industrial Co., Limited ("Shanghai ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB290,000,000	–	100%	Trading of sporting goods

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
廈門安踏服飾有限公司(「安踏服飾」) Xiamen ANTA Style Co., Limited ("ANTA Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
廈門斐越信息技術有限公司(「廈門斐越」) Xiamen Feiyue Information Technology Limited ("Xiamen Feiyue") (Notes (i) and (iii))	PRC	RMB10,000,000	–	100%	Information technology service
斐樂服飾有限公司(「斐樂服飾」) Fila Style Co., Ltd. ("Fila Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
Fila Marketing (Hong Kong) Limited ("Fila Marketing")	Hong Kong	HK$79,800,000	–	100%	Retailing of sporting goods
Fila (Macao) Limited ("Fila Macao")	Macao	MOP25,000	–	100%	Retailing of sporting goods
Full Prospect Sports Limited ("Full Prospect")	Cayman Islands/Hong Kong	USD100	–	85%	Investment holding
Full Prospect (IP) PTE Ltd ("Full Prospect IP")	Singapore/Hong Kong	USD100,000	–	85%	Trademark holding
Speed Benefit Limited ("Speed Benefit")	Hong Kong	HK$1,000,000	–	85%	Trading of sporting goods
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	–	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	–	85%	Retailing of sporting goods
REEDO International Limited ("REEDO International")	BVI/Hong Kong	USD100	–	85%	Investment holding
SPRANDI Investment Limited ("SPRANDI Investment")	Hong Kong	HK$1	–	85%	Investment holding
REEDO (Hong Kong) Limited ("REEDO Hong Kong")	Hong Kong	HK$100	–	85%	Investment holding
斯潘迪(中國)有限公司(「斯潘迪中國」) SPRANDI (China) Limited ("SPRANDI China") (Notes (i) and (iii))	PRC	RMB30,000,000	–	85%	Trading of sporting goods
廈門斯潘迪有限公司(「廈門斯潘迪」) Xiamen SPRANDI Limited ("Xiamen SPRANDI") (Notes (ii) and (iii))	PRC	–	–	85%	Retailing of sporting goods
Descente China Holding Limited ("Descente Holding")	Cayman Islands	RMB250,000,000	–	60%	Investment holding
Descente China Investment Limited ("Descente Investment")	Hong Kong	RMB1	–	60%	Investment holding

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
迪桑特(中國)有限公司(「迪桑特中國」) Descente (China) Limited ("Descente China") (Notes (i) and (iii))	PRC	RMB100,000,000	–	60%	Trading and retailing of sporting goods
上海迪知服飾有限公司(「上海迪知」) Shanghai Digi Apparel Co.,Ltd ("Shanghai Digi") (Notes (ii) and (iii))	PRC	–	–	60%	Retailing of sporting goods
泉州寰球鞋服有限公司(「寰球」) Quanzhou Athletic Shoes & Garments Co., Limited ("Athletic") (Notes (ii) and (iii))	PRC	USD26,260,000	–	55%	Manufacturing and trading of sporting goods
Motive Force Sports Products (Singapore) PTE. LTD. ("Motive Force (Singapore)")	Singapore	SGD500,000	–	100%	Retailing of sporting goods
寧波群鯉服飾有限公司(「寧波群鯉」) Ningbo Qunli Style Co., Ltd. ("Ningbo Qunli") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
上海群鯉服飾有限公司(「上海群鯉」) Shanghai Qunli Style Co., Ltd. ("Shanghai Qunli") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
沈陽安踏實業有限公司(「沈陽安踏實業」) Shenyang ANTA Industrial Limited ("Shenyang ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB40,000,000	–	100%	Retailing of sporting goods
上海斐樂體育發展有限公司(「上海斐樂」) Shanghai Fila Sports Development Co., Ltd. ("Shanghai Fila") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	85%	Retailing of sporting goods
Kolon Sport China Holdings Limited ("Kolon Sport Holdings")	Hong Kong	USD80,000,000	–	50%	Investment holding
Kolon Sport China (IP) Pte. Ltd. ("Kolon Sport IP")	Singapore/Hong Kong	USD33,220,000	–	50%	Trademark holding
富恩施(北京)貿易有限公司(「富恩施貿易」) FNC Kolon (Beijing) Company Limited ("FNC Company") (Notes (i) and (iii))	PRC	RMB113,829,800	–	50%	Retailing of sporting goods
SKC Group Limited ("SKC Group")	Hong Kong	HK$20,286,500	–	100%	Investment holding and retailing of kid's apparel goods
Profit Dynamic Limited ("Profit Dynamic")	Hong Kong/Taiwan	HK$32,500,000	–	100%	Retailing of kid's apparel goods
Billion Treasure International Limited ("Billion Treasure International")	Hong Kong	HK$1,000,000	–	100%	Retailing of kid's apparel goods

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Esteemed Elite Holdings Limited ("Esteemed Elite Holdings")	BVI/Hong Kong	USD1	–	100%	Investment holding
SKC (US) Inc. ("SKC US")	United States	USD1,000	–	100%	Retailing of kid's apparel goods
韻利（上海）商業有限公司（「韻利商業」） Yunli (Shanghai) Trading Co., Ltd. ("Yunli Trading") (Notes (i) and (iii))	PRC	HK$11,000,000	–	100%	Retailing of kid's apparel goods
ANTA US CO. LTD ("ANTA US")	United States	–	–	100%	Product design
Kingkow Investment Limited ("Kingkow Investment")	Hong Kong	HK$1	–	100%	Investment holding
上海群隆服飾有限公司（「上海群隆」） Shanghai Qunlong Style Co., Ltd. ("Shanghai Qunlong")(Notes (ii) and (iii))	PRC	RMB20,000,000	–	50%	Retailing of sporting goods
可隆體育（中國）有限公司（「可隆體育中國」） Kolon Sport (China) Co., Ltd. ("Kolon Sport China") (Notes (i) and (iii))	PRC	RMB100,000,000	–	50%	Trading of sporting goods
Motive Force E-commerce Limited ("Motive Force E-commerce")	Hong Kong	HK$1,000,000	–	100%	Retailing of sporting goods
安啟服飾有限公司（「安啟服飾」） Anqi Style Co., Ltd. ("Anqi Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
寧波斐越服飾有限公司（「寧波斐越」） Ningbo Feiyue Style Co., Ltd. ("Ningbo Feiyue") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Trading of sporting goods
Anta Sports Korea Co., Ltd. ("ANTA Korea") (Note (v))	Korea	WON100,000,000	–	100%	Product design
小笑牛服飾有限公司（「小笑牛服飾」） Kingkow Style Co., Ltd. ("Kingkow Style") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of kid's apparel goods
廈門小笑牛有限公司（「廈門小笑牛」） Xiamen Kingkow Company Limited. ("Xiamen Kingkow") (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of kid's apparel goods
小笑牛（中國）有限公司（「小笑牛中國」） Kingkow (China) Company Limited ("Kingkow China") (Notes (i) and (iii))	PRC	RMB35,000,000	–	100%	Trading of kid's apparel goods
Kingkow (IP) Pte. Ltd. ("Kingkow IP")	Singapore/Hong Kong	USD1	–	100%	Trademark holding
Kingkow (Macao) Limited ("Kingkow Macao")	Macao	MOP25,000	–	100%	Retailing of kid's apparel goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Indirect	Principal activities
晉江安心物業管理有限公司 (「晉江安心物業管理」) Jinjiang Anxin Property Management Co., Ltd. ("Jinjiang Anxin Property") (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Property management
廈門安踏進出口有限公司(「廈門安踏進出口」) Xiamen ANTA Import and Export Co., Ltd. ("Xiamen ANTA Import and Export") (Notes (ii) and (iii))	PRC	RMB21,000,000	–	100%	Importing and exporting of sporting goods
上海耀盛實業發展有限公司(「上海耀盛實業」) Shanghai Yaosheng Industrial Co., Limited ("Shanghai Yaosheng Industrial") (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Property development
上海安踏體育用品有限公司(「上海安踏體育」) Shanghai ANTA Sports Products Limited ("Shanghai ANTA Sports") (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Research and development
斐尚服飾有限公司 Feishang Style Co., Limited ("Feishang Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	60%	Retailing of sporting goods
斐達服飾有限公司 Feida Style Co., Limited ("Feida Style") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	52%	Retailing of sporting goods
斐鴻服飾有限公司 Feihong Style Co., Limited ("Feihong Style") (Notes (ii) and (iii))	PRC	RMB20,010,000	–	51%	Retailing of sporting goods
Avid Sports International Limited ("Avid Sports International")	BVI	USD5,000,000	–	50%	Investment holding

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.

(iv) The English translation of the company name is for reference only. The official name of the company is in Japanese.

(v) The English translation of the company name is for reference only. The official name of the company is in Korean.

GLOSSARY

AGM
The annual general meeting of the Company or any adjournment thereof

AMER SPORTS
Amer Sports Oy (Amer Sports Corporation), a sporting goods company incorporated in the Republic of Finland

ANDA HOLDINGS
Anda Holdings International Limited

ANDA INVESTMENTS
Anda Investments Capital Limited

ANTA
ANTA brand

ANTA INTERNATIONAL
Anta International Group Holdings Limited

ANTA KIDS
ANTA KIDS brand, which offers ANTA products for children

ANTA SPORTS/ COMPANY
ANTA Sports Products Limited

ANTA STORE(S)
ANTA retail store(s)

BOARD
The Board of Directors of the Company

BVI
The British Virgin Islands

CAGR
Compound annual growth rate

CHINA/PRC
People's Republic of China

COC
Chinese Olympic Committee

DESCENTE
DESCENTE brand

DESCENTE STORE(S)
DESCENTE retail store(s)

EXECUTIVE DIRECTORS
Executive directors of the Company

EURO, EUR
Euro, the lawful currency of European Union

FILA
FILA brand

FILA FUSION
The sub-brand of FILA, which offers youth's trendy clothing

FILA KIDS
FILA KIDS brand, which offers FILA products for children

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

FILA STORE(S)
FILA retail store(s)

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

HIBOR
Hong Kong Interbank Offered Rate

INDEPENDENT NON-EXECUTIVE DIRECTORS
Independent non-executive directors of the Company

IT
Electronic system

KINGKOW
KINGKOW brand

KOLON SPORT
KOLON SPORT brand

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

MACAO
The Macao Special Administrative Region of the PRC

MAINLAND CHINA
Mainland of China, geographically excluding Hong Kong, Macao and Taiwan

NASA
National Aeronautics and Space Administration

NBA
National Basketball Association

NON-EXECUTIVE DIRECTOR
Non-executive director of the Company

OEM
Original Equipment Manufacturer

R&D
Research and development

RMB
Renminbi, the lawful currency of the PRC

RPET
Recycled polyethylene terephthalate

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

SHAREHOLDERS
Shareholders of the Company

SPRANDI
SPRANDI brand

US
United States of America

USD
United States Dollars, the lawful currency of the United States of America

YEAR
The year ended 31 December 2019

SPRANDI.KOLON SPORT.KINGKOW.ANTA.ANTA KIDS.
ILA KIDS.FILA FUSION.DESCENTE.SPRANDI.KOLON
INGKOW.ANTA.ANTA KIDS.FILA.FILA KIDS.FILA FUS
DESCENTE.SPRANDI.KOLON SPORT.KINGKOW.ANTA.
IDS.FILA.FILA KIDS.FILA FUSION.DESCENTE.SPRAN
KOLON SPORT.KINGKOW.ANTA.ANTA KIDS.FILA.FILA
USION.DESCENTE.SPRANDI.KOLON SPORT.KINGKO
ANTA KIDS.FILA.FILA KIDS.FILA FUSION.DESCENTE
KOLON SPORT.KINGKOW.ANTA.ANTA KIDS.FILA
USION.DESCENTE.SPRANDI.KOLON SPORT.K
FILA.FILA KIDS.FILA FUSION
SPORT.KINGKOW.ANTA.ANTA
DESCENTE.SPRANDI.KOLON
KIDS.FILA.FILA KIDS.FILA
SPORT.KINGKOW.ANTA
USION.DESCENTE.SPRANDI
ANTA KIDS.FILA.FILA KIDS
KOLON SPORT.KINGKO
USION.DESCENTE
ANTA KIDS.FILA FUSION.DESCENTE.
KOLON SPORT. ANTA KIDS.FILA.FILA
USION.DE KOLON SPORT.KINGKOW
ANTA KI FILA FUSION.DESCENTE.S
KOLON KINGKOW.ANTA.ANTA KIDS.FILA.FILA

IR.ANTA.COM

Concept and Design - Mens Creation Ltd. www.menscreation.hk
Production and Printing – Equity www.equitygroup.com.hk