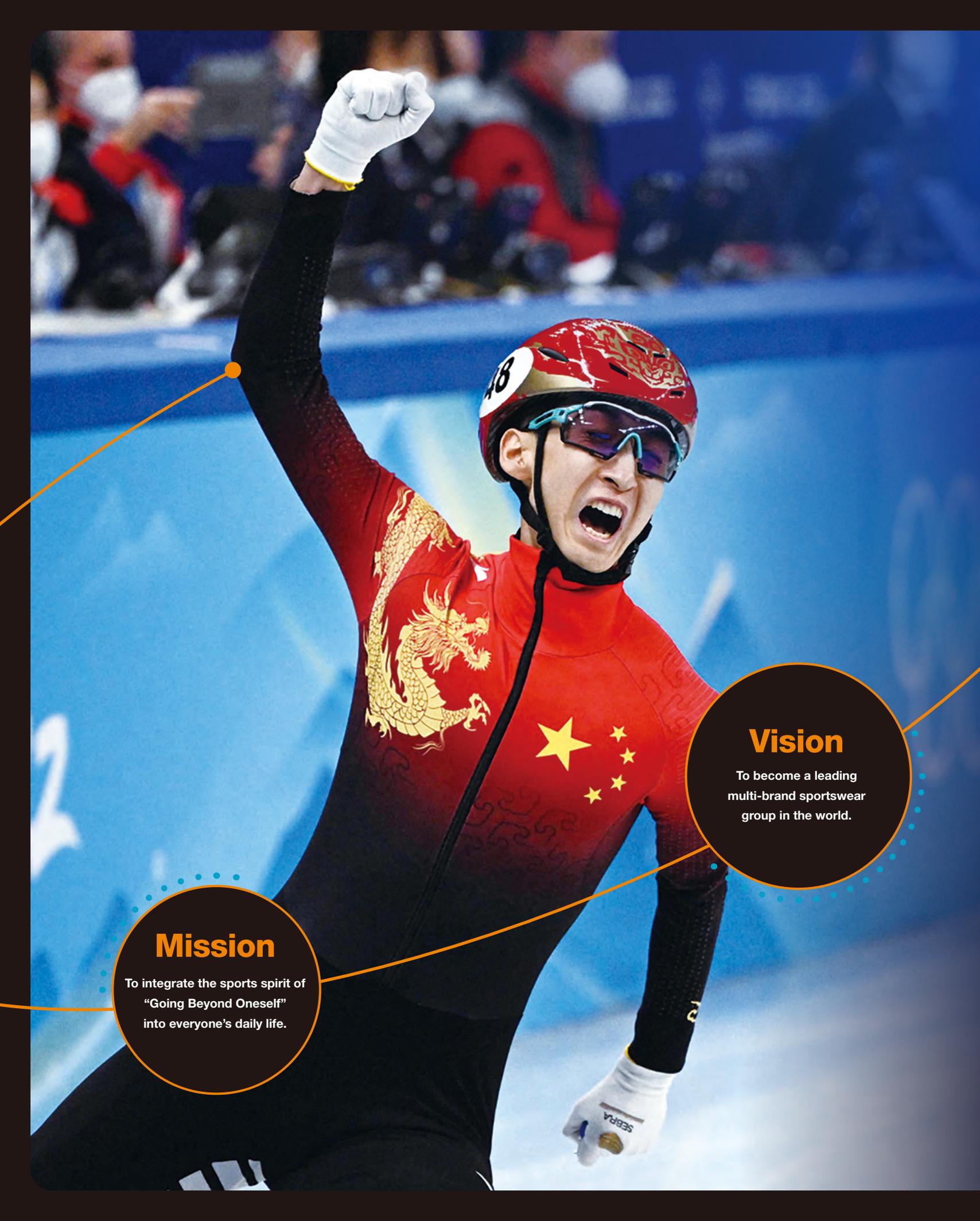


## ANTA SPORTS PRODUCTS LIMITED

Incorporated in the Cayman Islands with limited liability

STOCK CODE: 2020

ANNUAL REPORT 2022



## Mission

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

## Vision

To become a leading  
multi-brand sportswear  
group in the world.

## Core Values

- Consumer-oriented
  - Devotion
- Innovation and Pushing Boundaries
  - Respect and Inclusive
  - Integrity and Gratitude

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## Corporate Profile

ANTA was established in 1991, while ANTA Sports Products Limited, a widely recognized global sportswear company, 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, R&D, manufacturing, marketing and sales of professional sports products including shoes, apparel and accessories to Chinese consumers. By embracing an all-round brand portfolio including ANTA, FILA, DESCENTE and KOLON SPORT, and by setting up an investor consortium to successfully acquire Amer Sports in 2019, a global sportswear group that has internationally recognized brands including Arc'teryx, Salomon, Wilson, Peak Performance, Atomic, etc.

ANTA Sports aims to unlock the potential of both the mass and high-end sportswear markets.



## Corporate Information

### BOARD

#### Executive Directors

Ding Shizhong (*Chairman*)  
Ding Shijia (*Deputy Chairman*)  
Lai Shixian (*Co-Chief Executive Officer*)  
Wu Yonghua (*Co-Chief Executive Officer*)  
Zheng Jie  
Bi Mingwei (*Chief Financial Officer*)

#### Independent Non-Executive Directors

Yiu Kin Wah Stephen  
Lai Hin Wing Henry Stephen  
Wang Jiaqian  
Xia Lian

#### Company Secretary

Tse Kin Chung

### BOARD COMMITTEES

#### Audit Committee

Yiu Kin Wah Stephen (*committee chairman*)  
Lai Hin Wing Henry Stephen  
Wang Jiaqian  
Xia Lian

#### Remuneration Committee

Lai Hin Wing Henry Stephen (*committee chairman*)  
Wang Jiaqian  
Xia Lian  
Ding Shizhong

#### Nomination Committee

Lai Hin Wing Henry Stephen (*committee chairman*)  
Yiu Kin Wah Stephen  
Lai Shixian

#### Risk Management Committee

Yiu Kin Wah Stephen (*committee chairman*)  
Wang Jiaqian  
Xia Lian  
Lai Shixian

### Sustainability Committee

Lai Shixian (*committee chairman*)  
Yiu Kin Wah Stephen  
Lai Hin Wing Henry Stephen  
Wang Jiaqian  
Xia Lian  
Wu Yonghua  
Zheng Jie  
Yiu Wai Hung\*

### AUTHORIZED REPRESENTATIVES

Lai Shixian  
Tse Kin Chung

### 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 SAR

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

### 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

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586,  
Gardenia Court, Camana Bay,  
Grand Cayman, KY1-1100,  
Cayman Islands

#### Hong Kong SAR Branch Registrar

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

### LEGAL ADVISER

Morgan, Lewis & Bockius

### AUDITOR

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

### RISK MANAGEMENT AND INTERNAL CONTROL REVIEW ADVISER

KPMG Advisory (China) Limited

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Industrial and Commercial Bank of  
China Ltd.  
Industrial Bank Co., Ltd.  
China Merchants Bank Co., Ltd.  
Standard Chartered Bank PLC

\* non-Board member

# 2022 Recognitions and Awards



1

## **Board Chairman and Executive Director, Mr. Ding Shizhong:**

- 1 “Best IR by Chairman/CEO (Large Cap)”  
by Hong Kong Investor Relations Association

2

## **Executive Director and Co-CEO, Mr. Lai Shixian:**

- 2 “Best IR by CFO (Large Cap)”  
by Hong Kong Investor Relations Association  
(Mr. Lai Shixian previously served as the CFO of the Company)

3

## **ANTA:**

- 3 “Brand Finance Apparel 50 2022” by Brand Finance  
“2nd Emerging Consumer Brand 50 Program” by KPMG  
“BrandZ™ Top 100 Most Valuable Apparel Brands 2022” by Kantar Millward Brown

4

5



- 6
- 7
- 8
- 9
- 10

**ANTA Sports:**

- 4 “Best IR Company (Large Cap)”  
by Hong Kong Investor Relations Association
- 5 “Quam IR Awards 2021 – Hong Kong Index Constituents (Hang Seng Index) Category” by Quam IR
- 6 “Quam IR Awards 2021 – Sustainable Development Category – Gold” by Quam IR
- 7 “Sustainable Enterprise Case 2022 in China”  
by APEC’s Sustainable China Industry Development Initiative
- 8 “Best ESG Employer 2022” by Aon China

**2021 Annual Report:**

- 9 “Best Annual Report”  
by Hong Kong Investor Relations Association

**Our Investor Relations Department:**

- 10 “Best IR Team (Large Cap)”  
by Hong Kong Investor Relations Association
- “Best IR Website”  
by IR Magazine Awards Greater China 2022



**Eddie Peng,**  
*A renowned actor*



Revenue

+8.8%

To RMB

53.7 Billion

# Financial Overview

Year ended 31 December	2022 (RMB million)	2021 (RMB million)	Changes (%)
Revenue	53,651	49,328	↑ 8.8
ANTA	27,723	24,012	↑ 15.5
FLA	21,523	21,822	↓ 1.4
All other brands	4,405	3,494	↑ 26.1
Gross profit	32,318	30,404	↑ 6.3
ANTA	14,872	12,528	↑ 18.7
FLA	14,283	15,394	↓ 7.2
All other brands	3,163	2,482	↑ 27.4
Profit from operations	11,230	10,989	↑ 2.2
ANTA	5,925	5,145	↑ 15.2
FLA	4,301	5,339	↓ 19.4
All other brands	907	644	↑ 40.8
Profit for the year	8,245	8,219	↑ 0.3
Profit attributable to equity shareholders			
– without the effect of share of profit/loss of a joint venture	7,562	7,801	↓ 3.1
– with the effect of share of profit/loss of a joint venture	7,590	7,720	↓ 1.7
Free cash inflow	10,415	10,369	↑ 0.4
	(RMB)	(RMB)	(%)
Earnings per share			
– Basic	2.82	2.87	↓ 1.7
– Diluted	2.76	2.81	↓ 1.8
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Ordinary interim	62	60	
– Ordinary final	72	68	
– Special interim	-	30	
	134	158	↓ 15.2
	(%)	(%)	(% point)
Gross profit margin	60.2	61.6	↓ 1.4
ANTA	53.6	52.2	↑ 1.4
FLA	66.4	70.5	↓ 4.1
All other brands	71.8	71.0	↑ 0.8
Operating profit margin	20.9	22.3	↓ 1.4
ANTA	21.4	21.4	-
FLA	20.0	24.5	↓ 4.5
All other brands	20.6	18.4	↑ 2.2
Net profit margin	15.4	16.7	↓ 1.3
Margin of profit attributable to equity shareholders			
– without the effect of share of profit/loss of a joint venture	14.1	15.8	↓ 1.7
– with the effect of share of profit/loss of a joint venture	14.1	15.7	↓ 1.6
Effective tax rate <sup>(1)</sup>	27.5	26.7	↑ 0.8
Advertising and promotional expenses ratio (as a percentage of revenue)	10.3	12.4	↓ 2.1
Staff costs ratio (as a percentage of revenue)	15.1	13.5	↑ 1.6
R&D costs ratio (as a percentage of revenue)	2.4	2.3	↑ 0.1

As at 31 December	2022 (RMB)	2021 (RMB)	Changes (%)
Shareholders' equity per share	12.68	10.70	↑ 18.5
	(%)	(%)	(% point)
Gearing ratio <sup>(2)</sup>	18.3	21.0	↓ 2.7
Return on average total shareholders' equity <sup>(3)</sup>	24.0	29.2	↓ 5.2
Return on average total assets <sup>(4)</sup>	11.5	13.5	↓ 2.0
Average total shareholders' equity to average total assets	48.0	46.2	↑ 1.8
	(days)	(days)	(days)
Average inventory turnover days <sup>(5)</sup>	138	127	↑ 11
Average trade receivables turnover days <sup>(6)</sup>	21	26	↓ 5
Average trade payables turnover days <sup>(7)</sup>	50	53	↓ 3

## Cautionary Statement Regarding Forward-Looking Statements

This *Annual Report 2022* 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 profit/loss of a joint venture.
- (2) Gearing ratio is equal to total borrowings 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.
- (8) Average balance aforementioned means the average of the balance as at 1 January and the balance as at 31 December of the relevant year.

# Results Highlights

## Financial Performance



Revenue increased by 8.8% to

**RMB53.7 Billion**



Gross profit margin decreased by 1.4% point to

**60.2%**



Profit attributable to equity shareholders decreased by 1.7% to

**RMB7.6 Billion**

Basic earnings per share decreased by 1.7% to

**RMB2.82**



Payout of the profit attributable to equity shareholders

**42.4%**

## Operational Performance

(As of 31 December 2022)



Number of ANTA stores in Mainland China and overseas stood at

**6,924**  
(6,832\*)

Number of ANTA KIDS stores in Mainland China and overseas stood at

**2,679**  
(2,571\*)



Number of FILA stores

(including FILA KIDS and FILA FUSION standalone stores) in Mainland China, Hong Kong SAR, Macao SAR and Singapore stood at

**1,984**  
(2,054\*)



Number of DESCENTE stores in Mainland China, Hong Kong SAR and Macao SAR stood at

**191**  
(182\*)



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

**161**  
(155\*)

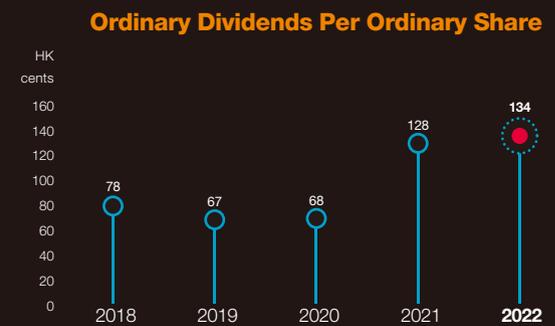
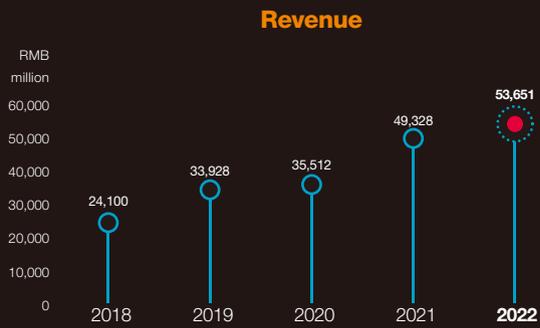
\* As of 31 December 2021

# Five-year Financial Summary

	2022 (RMB million)	2021 (RMB million)	2020 (RMB million)	2019 (RMB million)	2018 (RMB million)
Revenue	53,651	49,328	35,512	33,928	24,100
Gross profit	32,318	30,404	20,651	18,659	12,687
Profit from operations	11,230	10,989	9,152	8,695	5,700
Profit attributable to equity shareholders	7,590	7,720	5,162	5,344	4,103
Non-current assets	26,599	22,766	19,150	17,898	5,090
Current assets	42,596	39,902	32,717	23,320	19,284
Total assets	69,195	62,668	51,867	41,218	24,374
Current liabilities	26,207	15,943	11,715	12,412	7,548
Net current assets	16,389	23,959	21,002	10,908	11,736
Total assets less current liabilities	42,988	46,725	40,152	28,806	16,826
Non-current liabilities	5,149	15,062	14,328	7,745	306
Total liabilities	31,356	31,005	26,043	20,157	7,854
Net assets	37,839	31,663	25,824	21,061	16,520
Non-controlling interests	3,439	2,740	1,811	979	743
Shareholders' equity	34,400	28,923	24,013	20,082	15,777
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Basic earnings per share	2.82	2.87	1.92	1.99	1.53
Diluted earnings per share	2.76	2.81	1.89	1.99	1.53
Shareholders' equity per share	12.68	10.70	8.88	7.43	5.88
	(HK cents)				
Dividend per share					
– Ordinary interim	62	60	21	31	50
– Ordinary final	72	68	47	36	28
– Special interim	–	30	–	–	–
Total	134	158	68	67	78
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	60.2	61.6	58.2	55.0	52.6
Operating profit margin	20.9	22.3	25.8	25.6	23.7
Margin of profit attributable to equity shareholders	14.1	15.7	14.5	15.8	17.0
Effective tax rate <sup>(1)</sup>	27.5	26.7	29.0	27.6	26.6
Advertising and promotional expenses ratio (as a percentage of revenue)	10.3	12.4	10.0	10.6	12.1
Staff costs ratio (as a percentage of revenue)	15.1	13.5	12.5	11.7	10.9
R&D costs ratio (as a percentage of revenue)	2.4	2.3	2.5	2.3	2.5
Gearing ratio <sup>(1)</sup>	18.3	21.0	27.8	22.3	7.3
Return on average total shareholders' equity <sup>(1)</sup>	24.0	29.2	23.4	29.8	27.8
Return on average total assets <sup>(1)</sup>	11.5	13.5	11.1	16.3	18.9
Average total shareholders' equity to average total assets	48.0	46.2	47.4	54.7	67.9
	(days)	(days)	(days)	(days)	(days)
Average inventory turnover days <sup>(1)</sup>	138	127	122	87	81
Average trade receivables turnover days <sup>(1)</sup>	21	26	39	34	35
Average trade payables turnover days <sup>(1)</sup>	50	53	66	57	52

## Notes:

- (1) Please refer to notes on page 8 of this 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.
- (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 recognize 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 recognize 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 recognizing 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.



# 2022 Milestone

## January

### DESCENTE Appointed Eddie Peng as Brand Ambassador

DESCENTE appointed renowned actor, Eddie Peng as the latest brand ambassador to promote our brand's spirit and range of products which includes "SKI REPLICA", the skiing-inspired lifestyle series infused with the glorious history of the world's top winter sports teams and the spirit of challenge.

## February

### ANTA Provided Winter Sports Equipment for the Chinese National Team at the Beijing 2022 Olympic Winter Games

As the official sportswear partner of the Beijing 2022 Olympic Winter Games and Paralympic Winter Games, ANTA supported the Chinese national team with winter sports equipment and its "Champion Dragon Outfit", sharing the joy with Chinese Olympic athletes at the winning stage.

### KOLON SPORT Entered into Strategic Partnership with Premium Hotel Brand, SUNYATA

Adhering to the concept of sustainable development, KOLON SPORT teamed up with SUNYATA, a premium hotel brand, in a strategic collaboration to develop campsites and introduce outdoor hiking trails in domestic scenery.

The collaboration allowed more people to get closer to nature and enjoy the spectacular outdoor experience as well as the charm of exquisite camping, ushering in a new style of rustic outdoor luxury.



## March

### ANTA Sports Strengthened its Partnership with World Wildlife Fund ("WWF")

The Group and WWF announced the second phase of their partnership, in which both parties are committed to protecting the ecological environment and working together to promote global sustainability. The collaboration focuses on conserving global biodiversity and facilitating the green transformation of the textile industry.



## April

### ANTA Sports Supported in Fighting Against the Pandemic Through All Kinds of Efforts

The Group has taken various measures to support the fight against the Pandemic. It has joined hands with the Hemin Foundation to donate RMB40 million in cash and equipment to support the frontlines in Quanzhou City, Fujian Province, Jilin Province and Shanghai and other areas affected by the Pandemic.

## June

### FILA Appointed Ning Chang as Brand Ambassador

As part of FILA's strategic planning to expand into female fitness, FILA teamed up with renowned actress, Ning Chang as its brand ambassador to establish a concept of "FILA Latte Girl" and portray a chic style for fitness.



## July

### ANTA Sports Demonstrated Its Confidence in Green Finance with the Issuance of Its First Green Bonds

ANTA Sports issued the first tranche of green medium term notes in 2022, with an aggregate principal amount of RMB500 million and a maturity of three years. The proceeds will be used for the green construction of ANTA Sports' Shanghai headquarters. This is the first green panda bond issued by a private enterprise in the Mainland China and the first green bond among the sporting goods industry in the market. The successful issuance of the bond is of great significance to the sporting goods industry's participation in green finance and green development.

## August

### ANTA Hosted the Second ANTA Innovation Technology Conference and Introduced the New Generation of “Champion Running Shoes”

ANTA is committed to promoting sports with innovative technology, and elevating sports experience and performance. At the second ANTA Innovation Technology Conference, ANTA unveiled its latest “Champion Running Shoes”, which incorporates cushioning technology. The shoes are designed specifically for the 5–10K training programs of Chinese national team runners to enhance their professional performance.



## September

### DESCENTE Hosted Technology Conference to Introduce the Brand-new “Temperature-locking Technology System for Performance Sports”

DESCENTE introduced at its Technology Conference the brand-new “Temperature-locking Technology System for Performance Sports”, with an aim to empower winter sports with five pioneering temperature-locking innovative technologies – SPACE WARMER, HEAT NAVI®, SPACE WARMER with HEAT NAVI®, HEAT CONTROL, and 3D INSULATOR SYSTEM.



### Integrated Operation Center Began Construction in Suzhou

The Group announced the construction of its Integrated Operation Center with a signing ceremony in Suzhou, Jiangsu Province. The project will incorporate world-leading digitalized technologies and intelligent equipment, for the purpose of becoming a comprehensive operation center for import distribution, sales and settlement, digital operation, intelligent warehousing, exhibition, and other related businesses.



### ANTA Launched New KT8 Basketball Shoes

ANTA launched the latest edition of Klay Thompson’s signature basketball shoes – KT8. As ANTA’s first basketball shoes with an adjustable ankle collar, KT8 incorporates a convertible collar design for a high or low-top feel, in addition to an upgraded 3D FLOW technology system, which combines flexibility and stability, helping players switch between offensive and defensive positions with ease.



## November

### ANTA and the Winter Sports Management Center of General Administration of Sports of China Renewed their Partnership to Create Glory Again with Chinese Winter Sports Athletes at the Milan Olympic Winter Games

ANTA and the Winter Sports Management Center of the General Administration of Sports of China held a contract renewal ceremony at the National Alpine Ski Centre. ANTA will continue to be the official sportswear partner for the next four years to provide innovative and professional outfits to support Chinese winter athletes achieving victories at the Milan 2026 Olympic Winter Games.



**Gross Profit**  
**+6.3%**  
**To RMB**  
**32.3 Billion**

**Gross Profit**  
**Margin**  
**60.2%**



**Wang Yibo,**  
*A renowned Chinese celebrity*

# Chairman's Statement

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2022.

## SHOWING RESILIENCE AMID HEADWIND AND ACHIEVING STEADY GROWTH

The new year brings new optimism and renewal as the extraordinary year of 2022 has passed. The global political and economic landscape had evolved significantly during the three-year period overshadowed by the Pandemic, which presented unprecedented challenges across the businesses universe and cast profound impact on numerous Chinese businesses' globalization strategy. Despite the challenges from the Pandemic and shifting market dynamics that have given rise to an increasingly heterogeneous market landscape, we remain steadfast in our strategy of "Single-focus, Multi-brand, Globalization". Along with our long-term strength, teamwork spirit and the spirit of unwavering perseverance and "Keep Moving". The Group has successfully achieved steady growth.

As the saying goes, "when a hundred barges are competing, the most diligent one leads; when a thousand sails are cruising, the bravest one wins". Faced with the ever-changing market environment and challenges, we remained result-oriented amid the macroscopic uncertainties to fulfill our commitments and attain success after success. Our multi-brand strategy has proven resilient across economic cycles, and each of our brands has maintained a distinct positioning, implemented high-quality operations, optimized online business capabilities and achieved a growth rate that outpaced the market, all these exemplified our collective excellence as a group. We continue to strive towards our ambition of becoming "a leading multi-brand sportswear group in the world", not only in terms of brand value, but also in terms of our ability

to set industry standards in technological innovation, social responsibility as well as employee engagement.

During the financial year, albeit the impact of the Pandemic, our revenue increased by 8.8% to RMB53.65 billion (2021: RMB49.33 billion), achieving high-quality and steady growth while maintaining our leading position among Chinese sportswear brands. Our overall gross profit increased by 6.3% to RMB32.32 billion (2021: RMB30.40 billion), overall gross margin decreased by 1.4% points to 60.2% (2021: 61.6%), and the overall profit from operations maintained growth despite the headwind, up 2.2% to RMB11.23 billion (2021: RMB10.99 billion). On a consolidated basis, without the effect of the share of profit of a joint venture, the profit attributable to equity shareholders decreased by 3.1% to RMB7.56 billion (2021: RMB7.80 billion). On a consolidated basis, with the effect of share of profit of a joint venture, profit attributable to equity shareholders decreased by 1.7% to RMB7.59 billion (2021: RMB7.72 billion).

During the financial year, the Group's cash flow remained robust. Net operating cash inflow of RMB12.15 billion (2021: RMB11.86 billion) and free cash inflow of RMB10.42 billion (2021: RMB10.37 billion) were recorded, reflecting our strong cash generating capability despite the challenging operating environment. Moreover, as of 31 December 2022, the Group had cash and cash equivalents, fixed deposits held at banks with maturity over three months and pledged deposits in the aggregate amount of RMB27.69 billion. The robust cash position reflected our sound risk resistance ability and capacity to withstand high-pressure scenarios. The Board has recommended the payment of a final dividend of HK72 cents per ordinary share (subject to the approval by Shareholders at the forthcoming AGM). Ordinary dividend payout for the financial year was 42.4% of the profit attributable to equity shareholders (2021: 38.0%), which indicates a stable and healthy return to our Shareholders.

## ADHERING TO LONG-TERMISM AND IMPLEMENTING DEVELOPMENT STRATEGY OF "SINGLE-FOCUS, MULTI-BRAND, GLOBALIZATION"

Reflecting on the market changes over the past three years, the competition in the sportswear market has been increasingly heterogeneous with new scenarios and new racetracks emerging rapidly. Improving brand and product innovation, and optimizing the consumer experience are key drivers of success. While macroeconomic volatility and resurgence of the Pandemic outbreaks might have impacted our short-term financial and operational performance, these factors did not impede the long-term implementation of our strategy. We continued to implement our long-term strategic objectives with strategic foresights and efficient execution. Despite the impact of the Pandemic, our brand matrix has achieved important breakthroughs, attaining various high-quality indicators and phased achievements.

ANTA has been executing the "Lead to Win" acceleration plan driven by its core strategies of being "Rooted in and Known for Performance Sport and Fostering Brand Transformation and Growth". ANTA's brand reputation has made a historic breakthrough during the Beijing 2022 Olympic Winter Games. With its performance sports products that fuels China's sports development, proactive advancement in proprietary technological products development, and the smooth implementation of DTC model transformation, ANTA's enhancement of its brand image bore fruit. During the financial year, ANTA's segment revenue grew by 15.5% to RMB27.72 billion (2021: RMB24.01 billion), cementing its leading position in China, the gross profit margin and operating profit margin were 53.6% (2021: 52.2%) and 21.4% (2021: 21.4%) respectively.

With the principle of “High-quality, High Efficiency and Healthy Growth” and brand strategy of “Top-notch Products, Top-notch Brands and Top-notch Channels”, FILA positions itself as a high-end athletic fashion brand with focuses on promising product lines and proactively expands into the performance sports market, driving continuous brand growth through “three elite sports” and “four fashion driving forces”. During the financial year, despite the Pandemic’s impact on FILA’s brick-and-mortar business, we successfully boosted our e-commerce business and increased our penetration in various online platforms. As a result, outstanding performance in online business and improved operational capabilities have been realized. During the financial year, FILA’s segment revenue dropped slightly by 1.4% to RMB21.52 billion (2021: RMB21.82 billion), while gross profit margin and operating profit margin were 66.4% (2021: 70.5%) and 20.0% (2021: 24.5%) respectively.

In the wake of the Pandemic, the general public attach increasing importance to outdoor recreation activities, and outdoor activities become viral. During the financial year, all other brands (including DESCENTE and KOLON SPORT) have successfully capitalized on opportunities arising out of new scenarios and enhanced their core products competencies to attract target consumer groups in their respective markets, demonstrating strong momentum. Total revenue of all other brands leaped by 26.1% to RMB4.41 billion (2021: RMB3.49 billion). The gross profit margin and operating profit margin achieved encouraging levels of 71.8% (2021: 71.0%) and 20.6% (2021: 18.4%), respectively.

In addition, the Pandemic prompted us to expedite the digitalization within the Group and to continue the integration of online and offline channels cater to rapidly changing consumer habits. Consequently, revenue from the e-commerce business continued to increase as a percentage of our total revenue. During the financial

year, e-commerce business contributed 34.3% (2021: 28.6%) of the Group’s overall revenue, with an increase by 30.7% as compared with 2021 in terms of absolute amount, achieving solid growth despite the high base of last year.

## ADVANCING GLOBALIZATION

We further deepened our “Globalization” strategy to achieve globalization in terms of market position, brand portfolio, value chain composition and governance structure. Amer Sports mapped out a clear strategic growth plan swiftly after its acquisition in 2019. Despite the challenges of a global Pandemic, supply chain disruptions and geopolitical instability, the investor consortium and Amer Sports’ management team have worked diligently to achieve significant breakthroughs in restructuring organization as well as revamping Amer Sports’ core brands. Over the past three years, it has been on track to gradually achieve the goals initially set in 2019. It is making steady progress to achieve its targets regarding three “Billion euro brands”, DTC business and China business.

During the financial year, the revenue of the joint venture holding Amer Sports increased by 21.8% to RMB24.03 billion (2021: RMB19.72 billion), setting a record high for that joint venture. EBITDA also increased by 8.8% to RMB2.58 billion (2021: RMB2.37 billion). The joint venture has share profit of RMB28 million to the Group for the first time since acquisition.

## BREAKING NEW GROUND AND NAVIGATING THROUGH NEW DEVELOPMENT STAGE

The opportunities in the year of 2023 are unfolding, nevertheless a new development stage comes with new challenges. In order to effectively execute the Group’s strategy

and capitalize on emerging development opportunities, we have enhanced the Group’s governance structure and optimized its business operations, which in turn allow us to align ourselves with the governance models of leading multinational corporations to propel the Group’s sustainable growth.

In the face of a new historic mission and development responsibilities, I have decided to retire from the role as the Group’s CEO and focus on the role as the Chairman in early 2023, in order to facilitate the implementation of the Group’s “Multi-brand” and “Globalization” strategies, enhance corporate governance, management efficiency as well as talent development. At each point of our progression, we shall embrace our future challenges, and forge towards the strategic goal of “Globalization” with a global vision and culture. Teamwork and an efficient management system will also form the bedrock of our path to globalization.

On behalf of the Board, I would like to extend our heartfelt gratitude to our Shareholders for their support and to all our stakeholders and our highest regards employees who have been walking together with us on this journey of “Mutualism”. Driven by our “Single-Focus, Multi-Brand, Globalization” strategy, we are confident and capable of achieving even more brilliant goals and creating greater value for our Shareholders.



**Ding Shizhong**

*Chairman*

Hong Kong SAR, 21 March 2023

**Profit from  
Operations**

**+2.2%**

**To RMB**

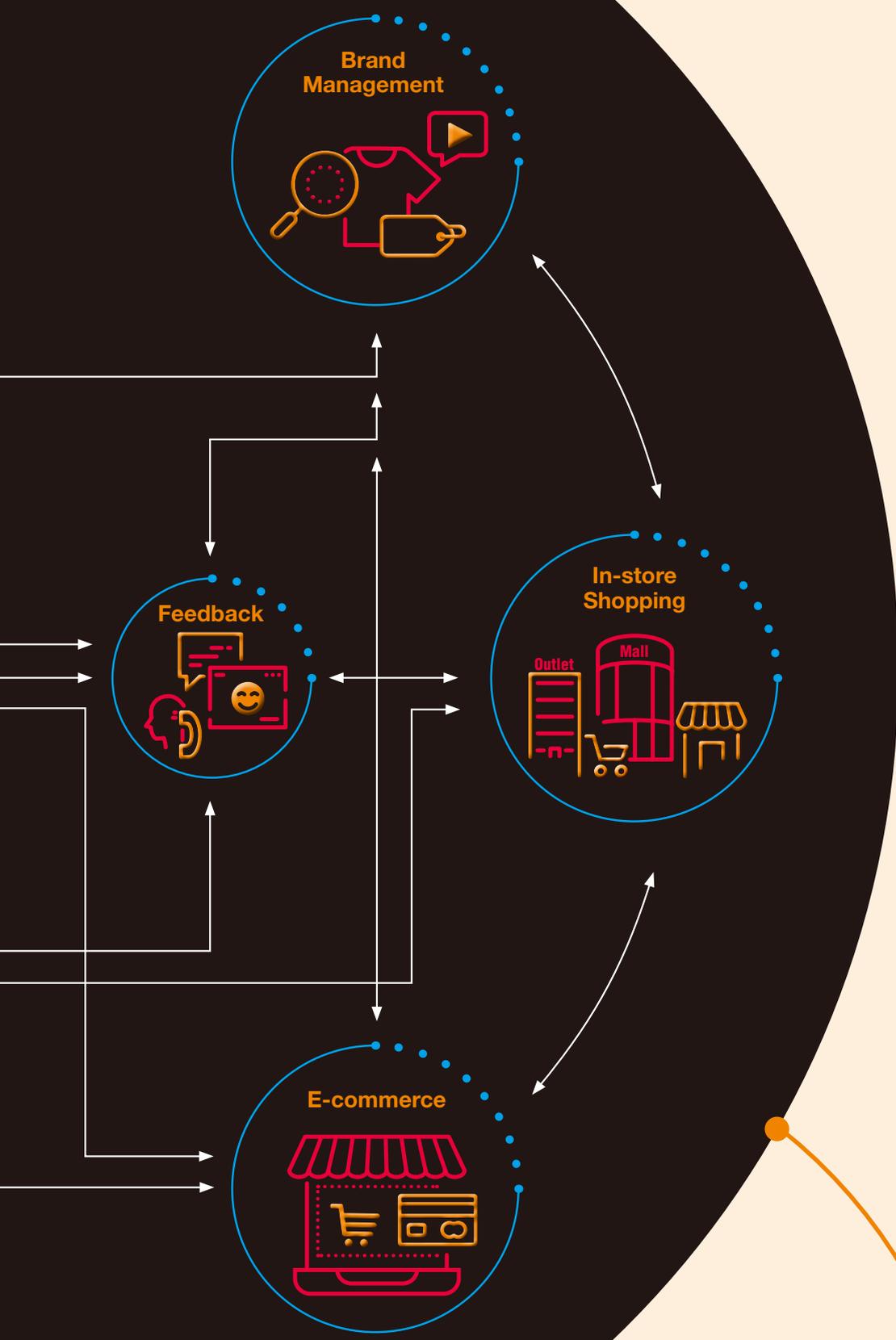
**11.2 Billion**



**Cai Xukun,**  
*A renowned Chinese singer*

# Our Business Model





Over 30 years, the Group has successfully developed itself from a traditional footwear manufacturer to a widely recognized global sporting goods company with strong upstream, midstream and downstream capabilities. With a sophisticated vertically integrated business model, we are able to rigorously and effectively monitor and control our entire value chain, from design to R&D, manufacturing, marketing and sales of branded sports products, and to quickly respond to the differentiated needs of our consumers.

As we expand our businesses, in order to stay agile to the market changes, we adopt a hybrid operation model to fully capitalize on the advantages and positionings of our different brands. On the one hand, under wholesale model and franchise business of ANTA's DTC model, we leverage our distributors, franchisees and their local knowledge to sell our products to end consumers through the authorized retail stores they operate. On the other hand, our self-operated retail stores allow us to be more sensitive to the changes in demand of our consumers.

# Management Discussion and Analysis

## MARKET REVIEW

### Demonstrating Resilience with “Dynamic Management” in Adversity

During the financial year, the resurgence of Pandemic in certain regions of China and the implementation of stringent prevention

measures dealt a double blow to our business, as foot traffic dropped significantly and consumer sentiment weakened. Meanwhile, the inflationary pressure persisted, leading to interest rate hikes and tightened monetary policy by the world’s major central banks. The pace of global economic recovery was further impeded by heightened geopolitical conflicts. As a result, the growth of China’s domestic retail market took a hit amidst both internal and external uncertainties.

According to the National Bureau of Statistics of China, China’s GDP grew by 3.0% in 2022, which was lower than its initial growth forecast of 5.5% in early 2022. The second and fourth quarters were hit hardest by the Pandemic, with GDP growth rates of only 0.4% and 2.9%, respectively. The total retail sales of consumer goods amounted to RMB43.97 trillion in 2022, representing a year-on-year decrease of 0.2%. Garments, shoes, hats and textiles remained weak, with total retail sales value decreasing by 6.5%. Consumer Confidence Index dropped to historical low in November 2022, reflecting the challenging business environment in the industry. Nevertheless, the sportswear industry overall still maintained steady growth in 2022 and outperformed the total retail sales of consumer goods, showing that Chinese consumers’ demand for sportswear remained resilient.

The Group has been preparing for a prolonged battle in the face of macroeconomic uncertainties. During the financial year, we continued to adopt a flexible “Dynamic Management” approach in response to market changes. This included accelerating the product distribution process, enhancing inventory efficiency, building up DTC management capabilities, and tightening cost control measures in order to cope with unforeseen events due to the resurgence of the Pandemic. We also maintained healthy level of capital liquidity, which allowed us to prepare for any contingency and implement preventive measures with improved risk capacity to overcome potential impediments.

In addition, we strategically strengthened our omni-channel marketing and optimized resource allocation for our e-commerce business by accelerating our penetration into short-form video and live streaming



platforms, promoting the integration of online and offline channels, and branching out into more platforms that are increasingly sophisticated. At the same time, we also boosted the traffic of our private domain and official website to drive online performance. These measures effectively alleviated the operating and inventory pressure of brick-and-mortar stores brought about by the Pandemic and thus maintained healthy business development. This demonstrated our business resilience and ability to withstand adversity.

### Policy Support and Easing of Pandemic Restrictions Spurring Growth for the Sports Industry

As the Pandemic begins to enter a new phase, China's retail market is expected to return to normal gradually. At the end of 2022, nearly three years after the initial outbreak, China adjusted its Pandemic control policy by introducing optimization measures such as "The 20 Measures" and "The 10 New Measures", which achieved positive results and successfully boosted foot traffic and consumer sentiment. Furthermore, a number of favorable factors also came into play to revive economic activities, including the Government's efforts to boost local consumption and stimulate economic growth, national policies that promote sports among the public, the steady development of the sporting goods industry, alongside the rise of outdoor activities and niche sports. Accordingly, we believe that the sporting goods market is projected to rebound from the Pandemic in 2023.

The Chinese government has prioritized boosting retail consumption and stimulating economic growth in 2023. At its Central Economic Working Conference in December 2022, the government highlighted its goals



of expanding domestic demand, increasing local consumption, innovating consumption scenarios, and increasing the income of urban and rural residents through multiple channels. It also pledged support to raise consumption in various industries such as housing improvement, new energy vehicles and elderly care services, as well as creating a favorable social investment environment through both government investment and policy incentives. The launch of various policies to stimulate domestic demand will help improve the sustainability and stability of economic development.

With regard to the development of the sporting goods industry, we believe the mass and outdoor sports sectors are still on a high-growth track. The Chinese government has provided vital support to

the sports industry through introducing a number of policies that encourage people to exercise, including the *Healthy China 2030 Blueprint*, the *Outline for the Construction of Sports Powers*, and the *Nationwide Fitness Program (2021–2025)*, creating a favorable policy environment for the development of the sporting goods industry. In addition, outdoor sports, in particular, have developed rapidly in recent years with new scenarios and new segments emerging constantly. As outlined in the *Outdoor Sports Industry Development Plan (2022–2025)*, the outdoor sports industry has experienced consistent high-quality development, as the number of participants growing significantly. By the end of 2021, the number of people participating in outdoor sports had exceeded 400 million nationwide. The industry is estimated to exceed RMB3 trillion in value by 2025.

# Management Discussion and Analysis

## Seizing Opportunities Arising out of New Scenarios and Segments with “Single-focus, Multi-brand” Strategies

The traditional sporting goods market has also undergone noticeable changes in its market structure in recent years, as evidenced by a decline in market concentration over the past two years. Part of the reason for such a structural shift was the rise of niche sports. As a result of the public’s rising awareness of health and the growth of diverse forms of exercise, consumers were demanding for greater brand differentiation. Sports brands with niche positioning have hence gained increasing popularity and seized market shares with remarkable growth momentum. A variety of sporting goods categories such as light outdoor, camping equipment, ski products and kids’ sporting goods have maintained a relatively high growth rate in China.

Another reason for this structural change was driven by rising confidence in domestic sporting goods brands among Chinese consumers, especially among the younger consumers who are increasingly recognizing their product quality, technological advancement, aesthetics and innovation. The Group’s multi-brand strategy is underpinned by three growth curves – Performance Sports Group, Fashion Sports Group and our Outdoor Sports Brands. The diverse brand portfolio is designed to cater to the evolving needs of the market by offering consumers differentiated, high-quality products through distinct brand positions. Their complementary nature results in greater competitive edge and synergy for the Group. ANTA and ANTA KIDS are categorized under the Performance Sports Group, while

FILA, FILA FUSION and FILA KIDS are categorized under the Fashion Sports Group, DESCENTE and KOLON SPORT belong to our Outdoor Sports Brands. In addition, Amer Sports, with its presence in multiple sports segments, continues to harness its growth potential and help the Group to achieve breakthroughs and forge ahead in the increasingly competitive sporting goods market.

During the financial year, we continued to advance our plans despite the business challenges and achieved phased achievements. ANTA continued to execute its strategies of “Rooted in and Known for Performance Sport and Fostering Brand

Transformation and Growth” as part of the “Lead to Win” acceleration plan. Capitalizing on the brand upgrade opportunities brought by the Beijing 2022 Olympic Winter Games, it strived to deepen association between ANTA and the Olympics to enhance brand value in consumers’ minds; FILA has been focusing on high-quality growth and has strengthened its popular existing product categories by staying on top of trends. It also drove brand development through elite sports segments; DESCENTE has established itself as a leading brand in the high-end, high-quality professional sporting goods market, with a goal of enhancing its premium branding position, offering top-notch products, and providing exceptional retail experiences.

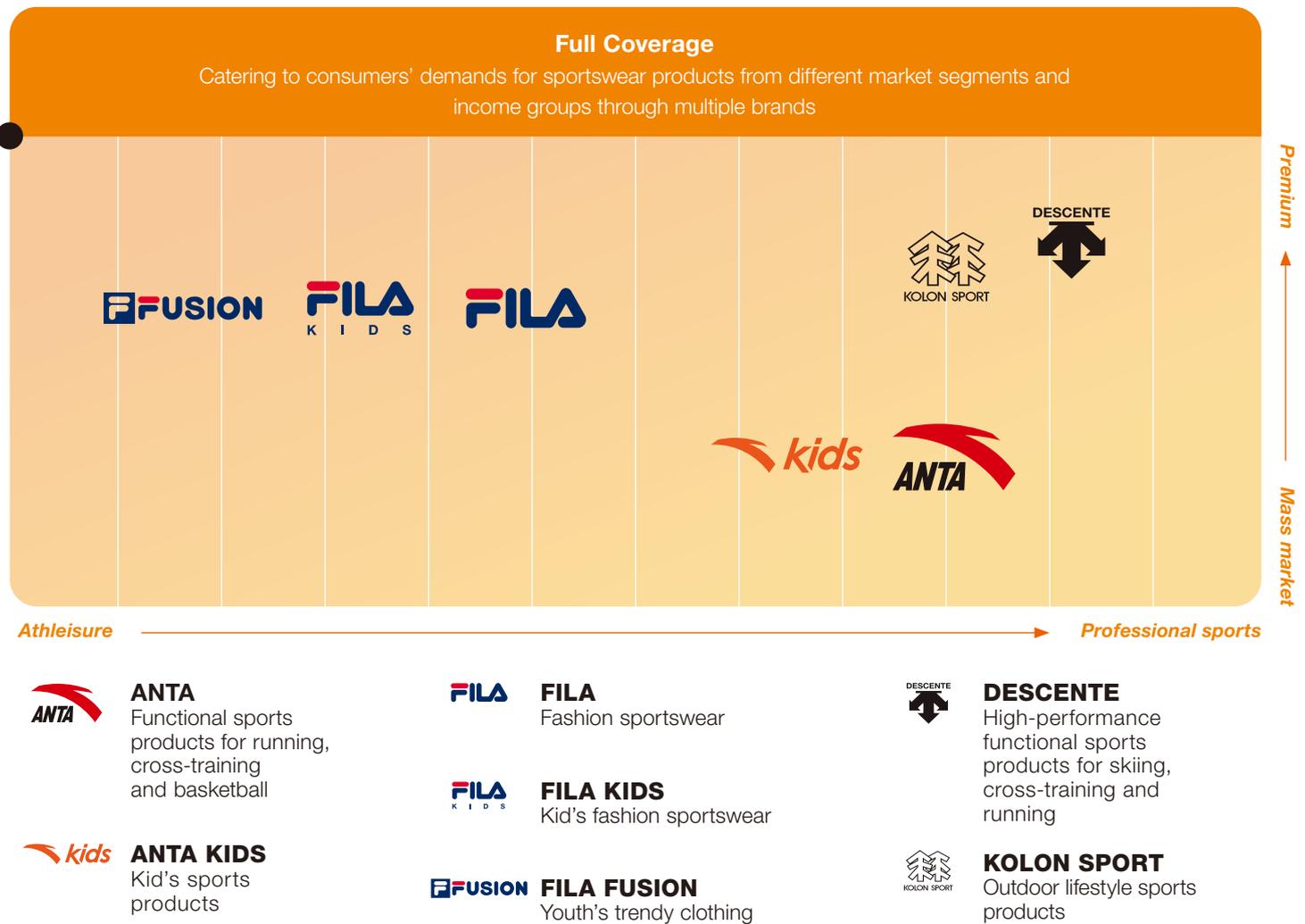


KOLON SPORT has established itself as a leading brand in the outdoor lifestyle market and has been reinforcing its brand position with superior product quality. At the Group level, we have confirmed our roadmap to improve technology and innovation, including the Group's strategies and organizational structure for innovation, and have formed a platform for high-efficiency collaboration, etc. We continued to execute our digitalization strategies and to upgrade official websites. About organizational structure, we have also met our targets for key positions hiring and construction of talent echelon, and have improved our employees' engagement level.

### Forge Ahead Steadily and Advancing "Globalization" Strategy

The Group's "Single-focus" and "Multi-brand" strategies have laid a solid and sound foundation, which enabled us to accumulate successful experiences in incubating new brands and expanding our presence in niche markets. At the end of 2021, the Group set out concrete strategies with medium and long-term development goals, putting forward the strategy of "Single-focus, Multi-brand, Globalization". During the financial year, we further optimized our governance structure and business

operations to drive strategic changes and effectively implement the Group's strategies and seize new development opportunities. While emphasizing our "Single-focus" on the sportswear market and creating consumer values, the Group also continued to cater to diverse market demands through our "Multi-brand" strategy, delivering sportswear products with higher quality to consumers. More importantly, the Group further advanced the "Globalization" strategy to expand our global presence, gradually and steadily moving towards our long-term goals and vision to "become a leading multi-brand sportswear group in the world".



# Management Discussion and Analysis



## BUSINESS REVIEW

### Brand Management



### ANTA

As a leading sports brand in China, ANTA is committed to providing consumers with functional, professional and technology-driven sports products across a diverse range of sports categories, from popular sports such as running, cross-training and basketball, amongst others, to professional and niche sports.

As the official partner of COC for 16 consecutive years, ANTA continues to

provide sports equipment for 22 Chinese national teams. Leveraging on the brand upgrade opportunities brought by the “Two Olympics”, ANTA launched the brand concept of “Sports for life, ANTA for China” to reinforce its association with the Olympic Games and the COC in the eyes of consumers, thereby enhancing its brand reputation and creating a bigger impact on consumers’ mindset. During the financial year, ANTA ushered in a new chapter for the upcoming Milan 2026 Olympic Winter Games by renewing its partnership with the

Winter Sports Management Center of the General Administration of Sports of China as the official sportswear partner for the next four years. At the same time, they jointly published the *Down Jacket Standard for National Team Uniform* which aims to set a high-quality benchmark for the technology of cold-weather equipment for national team athletes' winter training.

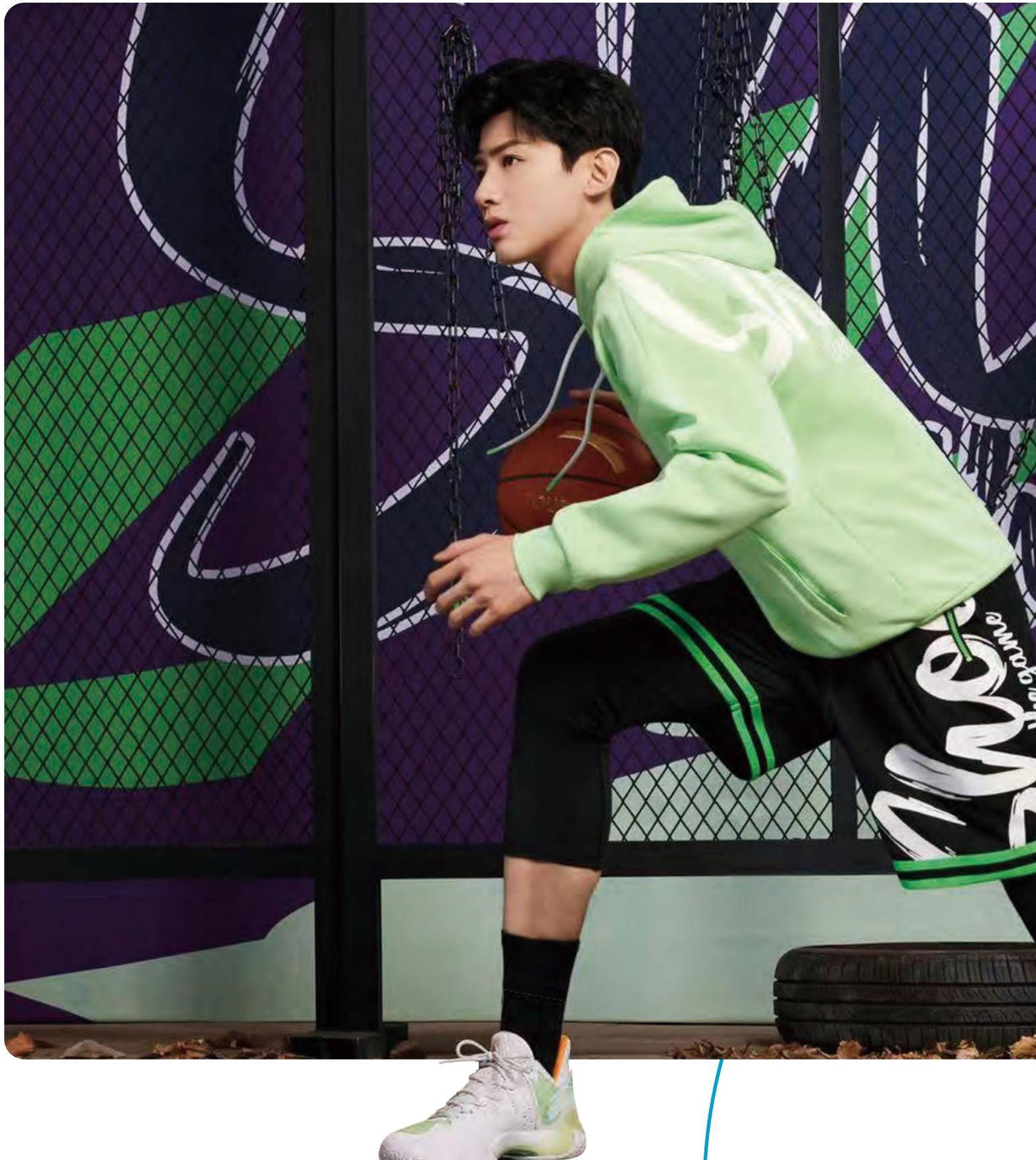
With our core strategies of being “Rooted in and Known for Performance Sport and Fostering Brand Transformation and Growth”, ANTA empowers performance sports with innovative technology. It has developed a product portfolio with technological content to establish a professional sportswear brand image. Drawing on the technologies developed for the professional athletes, ANTA has created a wide range of footwear and apparel products for general consumers with differentiated features. They were underpinned by four key technologies – A-Warm, A-Chill, Aerated and Water-Repellent Technologies for apparel, alongside the new generation of “ANTA Nitrogen” midsole technology, which enhanced environmental friendly, efficiency and performance for footwear. An example of this was “A-Warm Technology” in its winter products, empowered by high-quality 95-down and rare-earth printed lining. The superior heat retention capability and efficient warming function drove the popularity of its professional-grade down jackets among the mass market, increasing consumers' awareness and appreciation of the brand. At the second ANTA Innovation Technology Conference, we launched the “Champion Running Shoes” designed for the 5–10 km training programs of the Chinese national team runners.



ANTA is dedicated to launching a diverse range of high-performance sportswear products to strengthen its position as a professional sports brand. During the financial year, “ANTA Running” launched a series of running shoes that highlighted ANTA's efforts in technological innovation for the professional running sector. Riding on the resounding market success of FLASHLITE 3.0, ANTA launched FLASHLITE 4.0 and NITRO MACH 2.0 through its unparalleled R&D capability. ANTA also introduced its first forefoot running shoe, the ANTA C001,

which helped two runners win first and third places in the Xiamen Haicang Half Marathon. All these products were a testament to ANTA's determination to stay ahead of the curve by strengthening its technological innovation in order to meet runners' needs and enhance their running experience. In basketball, ANTA continued its collaboration with professional basketball players such as Klay Thompson, and launched the highly sought-after KT8 signature basketball shoes during the financial year. It featured the “ANTA Nitrogen” midsole technology

## Management Discussion and Analysis





that provides full-foot support as well as SMART S.A.M intelligent shock-absorbing technology. ANTA also actively ventured into new product categories, such as the surfskate series, and has organized the “ANTA Surfskate City Party” in Shanghai, Guangzhou, Shenzhen, and Nanjing, where it leveraged the captivating stories of surfskating adepts to promote the bold spirit of surfskating, which has been well received by surfskating enthusiasts.

Additionally, ANTA reinforced its professional image through continuously sponsoring athletes such as Wu Dajing, Zhang Jike and Eileen Gu. It also attracted young Chinese consumers through the strong influence of renowned celebrities, such as Wang Yibo, Bai Jingtong and Guan Xiaotong. With a range of leading products and marketing campaigns, ANTA has bolstered its brand reputation and successfully attracted and cultivated high-spending consumer segments, with premium consumer groups, such as young white-collar, senior middle class and Generation Z, significantly increased, driving our sales in high-end products and performance sports products.

During the financial year, ANTA continued to expand its footprint in high-tier cities by establishing strategic flagship stores in key cities and increasing penetration into major business districts and shopping malls, in order to further upgrade its distribution channels. Seeking to maintain competitiveness

in different market segments, we continued to strengthen its existing best-selling product series and provide the mass market with functional, value-for-money sports products. We also increased exposure on online channels to boost its sales contribution, thus directly engaging with consumers through omni-channels.

Built upon our solid foundation of our retail business, ANTA embarked on its DTC model transformation in August 2020 which progressed smoothly. During the financial year, the transformation continued to forge ahead. As of December 2022, we had adopted a hybrid operation model in 23 provinces or cities, including Changchun, Changsha, Chengdu, Chongqing, Guangdong, Kunming, Nanjing, Shanghai, Wuhan, Xi'an, Zhejiang, Shenyang, Quanzhou, Xinjiang, Henan, Shandong, Beijing, Harbin, Guangxi, Tianjin, Lanzhou, Guiyang and Jiangxi. Under the DTC model, around 44% of approximately 5,100 ANTA stores were directly operated by us, with the remaining 56% operated by franchisees following our operating standards. Around 67% of approximately 2,100 ANTA KIDS stores were directly operated by us, with the remaining 33% operated by franchisees following our operating standards. With the stores' transformation well underway, our strategy will be more focused on improving DTC store efficiency, product efficiency and profitability. By combining the channel upgrade with the DTC model transformation plan, ANTA will be able to reach consumers directly through omni-channels, enabling rapid adjustments to the product, marketing and consumer experience, laying a solid foundation for future growth.

As of 31 December 2022, there were 6,924 ANTA stores in Mainland China and overseas.

# Management Discussion and Analysis



## ANTA KIDS

Positioned as a children’s professional sports brand, ANTA KIDS is committed to providing high-quality, professional and technology-driven sports products for children aged 1 to 14, addressing their needs for different scenarios including professional competition, training, physical education classes, outdoor sports, running, and basketball, amongst others. It focuses on the kids sports products market in China that is on a high growth trajectory. During the financial year, the Ministry of Education of the PRC issued new curriculum standards that mandate all grades in the nine-year compulsory education system to include “physical

education and health” courses, which account for about 10% of the total class time. Physical education has become one of the three core subjects in the curriculum, emphasizing its importance in cultivating an interest in sports among children from their early age. Coupled with the introduction of the three-child policy in 2021, there is enormous potential for further expansion of the children’s sportswear market. Compared with the adult sporting goods market, there is still a mismatch between the supply and demand of children’s sporting goods, particularly in the field of professional sports, where there are strong market demands for technologically advanced sports equipment with high performance.

After years of development and advancement, ANTA KIDS has established its strategic position as an “Industry Pioneer” and consistently promoted its philosophy of “Grow Up with Fun”, with the hope to enable children to enjoy “Fun” elements as they grow by encouraging them to release their “Fun” energy while carving their future.

In addition to its focus on style and trendiness, ANTA KIDS also seizes market opportunities by launching a series of footwear and apparel products equipped with children-specific technology, leveraging the innovation achievements attained by our Sports Science Laboratory for ANTA adult’s series. As a result, the footwear and performance sports products elevated substantially as a percentage of

product sales mix. During the financial year, ANTA KIDS introduced “Resilient Elastic”, its first midsole cushioning technology designed specifically for children, into a wider range of products. It is composed of thermoplastic and high elastic polymers such as EVA and TPE foam which improve rebound performance by 191% while simultaneously reducing underfoot pressure by 26% compared to traditional materials, providing protection and energy propulsion for children as they run. The “Resilient Elastic” technology has also been applied to our popular core products, including the UFO and WIND-RIDING running shoes series, which have sold over 3 million pairs combined. In addition, ANTA KIDS also equipped its skiwear products with the GORE-TEX INFINIUM technology, and introduced

other advanced technologies such as the Water Cool technology and Heat Return technology for apparel, which were all well-received by consumers.

Furthermore, ANTA KIDS has expanded the influence of its proprietary IP products by partnering with reputable organizations, such as sport universities and China Tianyan, to launch a range of products. ANTA KIDS joined hands with China Tianyan to create the UFO4.0 running shoes, featuring refined design and enhanced functionality. In collaboration with the Research Academy of Grand Health of Ningbo University, we have also developed the SWIFT LEAPING professional rope skipping shoes to enhance the performance of skippers with the tripping rate significantly reduced by 150%. These high-performance products garnered considerable consumer attention, achieved a satisfactory sell-through rate, and helped us connect more effectively with young people as well as areas and consumer segments with strong spending power, all in all reinforcing consumers’ association of “ANTA KIDS” with “high-performance in sports”.

ANTA KIDS continued to expand its product offerings related to popular and rapidly growing kids’ sports, including products for widely popular sports like basketball, soccer, running and others, as well as performance sports such as kids’ ice and snow sports, figure skating and balance bikes, addressing children’s specific needs in various sports scenarios. During the financial year, ANTA KIDS once again participated in Shanghai Fashion Week, where it showcased its unique ice-and-snow-themed product collection equipped with a variety of hardcore technologies for different scenarios, including outdoor sports, winter skiing and girls’ sports. The brand presented a mix-and-match of sportswear to accommodate various children’s needs.

As of 31 December 2022, there are 2,679 ANTA KIDS stores in Mainland China and overseas.



# Management Discussion and Analysis



## FILA, FILA KIDS and FILA FUSION

FILA, along with FILA KIDS and FILA FUSION, is positioned as a high-end fashion sports brand that targets high-end consumer in a wide range of age groups. The success of FILA KIDS and FILA FUSION enables FILA to capture more opportunities from a variety of age groups, allowing everyone in the family to be a FILA consumer. During the financial year, even though a portion of stores temporarily suspended operations due to a resurgence of the Pandemic and the overall industry has been shrouded in uncertainties. FILA continued to uphold its core strategy of “Top-notch Products, Top-notch Brands and Top-notch Channels” through innovating and upgrading in the high-end fashion market and promoting the integration of online and offline channels with an aim to maximize synergy through omni-channels and boost sales.

To further enhance its performance sports attributes, FILA focused on developing three elite sports segments, including golf, tennis and running. By establishing itself as both a fashionable and performance sports brand in consumers' minds, the share of performance sports products to its sales mix has increased. During the financial year, FILA partnered with Mission Hills to open new FILA GOLF standalone stores at high-end golf courses in China. The brand also established the FILA GOLF Rising Stars group, which brought top Chinese golfers, veteran coaches and the next generation of elite golfers together to promote the brand. Through

hosting master classes and course activities, the brand aimed to establish a prestigious community, where it can reach out to more core golf consumers and promote its brand culture. In addition, female fitness is an important component of the brand's strategic planning. We established the concept of "FILA Latte Girl" to portray a chic style for fitness and endorsed a renowned actress, Ning Chang to help promote the strength, confidence and elegance of "FILA Latte Girl".

FILA is committed to providing sports enthusiasts with high-performance apparel that helps enhance their performance while

bringing style to their training sessions. During the financial year, FILA harnessed its advantages in upstream raw materials sourcing and R&D capability to continuously innovate in product design and textile design. FILA GOLF has developed the HYPER-MOVE technology, introduced non-shedding ultralight down in its new winter down jackets, while using GORE-TEX INFINIUM warming technology to effectively combat the windchill factor outdoors while ensuring a lightweight wear experience, making its apparel suitable for a wider range of scenarios.

In addition, in order to provide consumers with unique experiences, FILA continued to lead the way in fashion through its endorsers and its distinct product lines, such as FILA WHITE LINE, FILA ORIGINALE and FILA MODERN HERITAGE. FILA also collaborated with various fashion brands to launch several crossover series that infuse art or fashion styles into its sportswear, reflecting the brand's spirit as a pioneer in fashion sportswear.

In terms of channel deployment, FILA continued to optimize its existing stores by consolidating inefficient stores, upgrading stores in terms of space and image, as well as introducing a number of new concept stores across China, such as FILA ONE, FILA ULTRA and FILA GOLF, to effectively engage with consumers in heterogeneous scenarios. Additionally, FILA strategically expanded its e-commerce business through increasing brand penetration into high-growth live streaming and social platforms, which has led to noticeable breakthroughs and tremendous growth in the brand's online business. Its growth rates on major e-commerce platforms have outperformed the industry.



# Management Discussion and Analysis



FILA KIDS was launched in China in 2015, with the aim of providing high-end children's apparel and footwear products. With its rapid development, FILA KIDS has established its leading position in the high-end kidswear market. During the financial year, FILA KIDS continued to deepen its development of performance sports products for children, with a focus on outdoor sports such as children's tennis, skiing and running. It actively cooperated with major professional sports events, including the Junior Alpine Ski Open and the Tennis Challenge, all of which were highlights of children's sports in 2022.

FILA KIDS focused on innovative R&D and continued to achieve breakthroughs in product development, including the launch of high-unit-price professional carbon-plated

running shoes for children to help unleash their potential. It also co-branded with the FILA KIDS Diamond Cup Junior Tennis Challenge and introduced a professional tennis series with the application of ACE-TEX Tennis technology that features high air permeability and quick dry functions. Furthermore, FILA KIDS has infused the "Ice technology" used by the national ice and snow team into children's skiwear to enhance the performance of young athletes. FILA KIDS continued its streak of launching crossover collections for kids, including a joint collection with Italian luxury brand MSGM. The collection was first launched at the FILA KIDS x Tmall Annual Member's Day online event and showcased the charm of high street fashion for children.



FILA FUSION opened its first store in 2017 to target the younger consumer segment, blending the concepts of youthfulness, upbeat attitude and trendy sports. The Group actively highlighted the brand's differentiation and established FILA FUSION as a young trendy lifestyle brand with street style at its core. FILA FUSION combined sports with functional, trendy and vintage elements. It launched crossover collections with internationally renowned brands to explore different fashion trends as well as targeting different consumer groups by establishing a community marketing approach in street fashion circles. During the financial year, FILA FUSION achieved breakthroughs in both footwear and its female customer base. Following the successful collaboration with FACETASM in early 2022, FILA FUSION launched a crossover limited edition of the FILA TERATACH "Boyfriend shoes" and "Cheese shoes", amongst others, which received an overwhelming market response. FILA FUSION also partnered with N21 to launch the FILA FUSION x N21 series, which perfectly presented classic Italian design and trendy design style.

As of 31 December 2022, there were 1,984 FILA stores including FILA KIDS and FILA FUSION standalone stores in Mainland China, Hong Kong SAR, Macao SAR and Singapore.



# Management Discussion and Analysis

## DESCENTE

Having upheld the design-driven sports spirit of “DESIGN THAT MOVES” throughout 80 years of brand legacy, DESCENTE incorporates revolutionary technology with ingenious craftsmanship into each of its creations. Through years of relentless effort and dedication, DESCENTE has established itself in the China market by encompassing skiing, golf, cycling, running, cross-training and female fitness, amongst others, capturing the attention of core consumers who pursue unique high-tech materials and exquisite craftsmanship.

During the financial year, DESCENTE proactively expanded its professional ski product portfolio, so as to bolster its brand salience among consumers and elevate its professional image in the high-end skiing market, leading to robust growth in its professional ski clothing and high unit price products. Additionally, DESCENTE held its Technology Conference to unveil its brand-new “Temperature-locking Technology System for Performance Sports”, which consists of five pioneering temperature-locking technologies – SPACE WARMER, HEAT NAVI®, SPACE WARMER with HEAT NAVI®, HEAT CONTROL, and 3D INSULATOR SYSTEM. These top-notch technologies have been infused into our innovative products with an aim to enhance sports performance. To solidify the brand’s high-end position and achieve professional breakthroughs, the conference also offered both offline and online immersive viewing experiences.

Furthermore, we continued our partnerships with famous celebrities, including Eddie Peng and William Chan, to promote the brand’s spirit and a wide range of products. DESCENTE’s devotion on high-end and high-quality product lines exemplified by its first crossover snowboarding-wear collaboration with KAZUKI KURAISHI, a contemporary Japanese fashion designer.

The collection created a glamorous sporting experience for snowboarders with professional ski technology and exquisite craftsmanship.

In order to meet the diverse needs of sports enthusiasts, DESCENTE continued to incubate new businesses, expand into various performance sports fields with a strengthened product portfolio, launch products with high unit price, improve product quality and build a diversified product matrix including cycling, running, cross-training, and women’s series. During the financial year, DESCENTE expanded its product lines beyond skiing into multiple sports fields, such as golf and triathlon, to explore the demand arising out of different sporting scenarios. DESCENTE is dedicated to creating golf products that could enhance brand salience and creating member communities, as well as sponsoring Chinese and international star golfers, including Li Haotong, Yuan Yechun and Wu Ashun. As a

result, golf has become one of DESCENTE’s key business segments. We also launched the “AWAKEN PACK”, a new series of professional triathlon equipment.

DESCENTE placed significant emphasis on elevating the consumer experience. During the financial year, D-MOVERs, DESCENTE’s dedicated platform for adventure sports lovers, organized more than 100 community activities centered around the three major professional sports – skiing, golf and triathlon, with the goal of fostering an exclusive community for DESCENTE members. The “Precision Refinement Camp”, a program catered to triathlon enthusiasts, also launched several online courses and offline activities across various cities in China to empower sports lovers through professional content.

In terms of store upgrades, DESCENTE has strategically placed diversified, high-efficiency flagship stores and upgraded



existing stores in key cities to augment brand influence across various regions. Regarding e-commerce, DESCENTE continued to pursue a scene-driven omni-channel operation that focuses on private domain. As of 31 December 2022, there were 191 DESCENTE stores in Mainland China, Hong Kong SAR and Macao SAR.

## KOLON SPORT

Since its founding in 1973, KOLON SPORT has strived to be a premium outdoor lifestyle brand that seamlessly blends fashionable design and functionality. Successfully satisfying consumers' sophisticated needs for functionality, KOLON SPORT has transcended the boundaries between urban and outdoor fashion through fashionable and inventive design. To seize the strong demands from the outdoor sports and camping market, KOLON SPORT continued to improve consumers' experiences through advocating a premium outdoor lifestyle, product innovation, integrated marketing and retail image upgrades.

During the financial year, KOLON SPORT has formed a strategic partnership with premium hotel brand SUNYATA. By integrating camping furniture and equipment in hotel rooms and developing KOLON SPORT's exclusive outdoor hiking trail in Meili Mountain Range, more people can enjoy the fun of outdoor activities. The collaboration also promoted a high-quality outdoor lifestyle and strengthened the brand's high-end positioning. In addition, we continued to team up with various e-commerce platforms to foster outdoor culture. By organizing camping festivals and creating glamping scenes, we successfully drove up media exposure. As a result, our e-commerce business has recorded strong growth and our ranking among outdoor brands on online platforms has also significantly improved despite a challenging market environment.

KOLON SPORT is committed to expanding its camping and outdoor gear product line. During the financial year, it launched a range of new offerings including ODUMAK camping series, the lightweight AEROLITE meteorite tent series, ZERO G zero-sensing light running jackets,

and light measure camping jackets. The brand enlisted renowned actor and actress, Chen Kun and Liu Shishi, as the official brand ambassadors. In order to tap into relevant markets, the brand widened its product range in pursuit of becoming a brand that appeals to youngsters and women. It also stretched the price distribution of its products to enlarge its consumer base. Meanwhile, the brand has been actively promoting its proprietary R&D capability in technological fabrics and technical equipment to strengthen its professional image.

Through the establishment of the "KOLON Road Lab", KOLON SPORT held various themed events, focusing on high-end consumers' special demands with a view to gain competitive advantage over the others. Since its establishment, events have been held in over 10 cities featuring a variety of activities including plogging, mountaineering, hiking, rock climbing and camping, encouraging consumers living in urban areas to get involved in sports by naturally integrating it into their daily lives, as well as promoting the green concept. Moreover, KOLON SPORT has been enhancing its stores' images and entering high-end channels to align with its product positioning. It has expanded its footprint in first-tier cities such as Shanghai, Wuhan, Chengdu, and Hangzhou, focusing on high-end and core business districts. Marketing campaigns have also been conducted in these strategic locations to establish a foothold in the high-end market. During the financial year, KOLON SPORT opened its first urban concept store in Beijing with a camping scene in the store, which demonstrated the brand's outdoor DNA. The brand also organized an interactive art exhibition at Grand Gateway 66 in Shanghai with the theme of "Into the Icy Wilderness of the Poles" to portray polar exploration in an artistic and immersive way.

We are confident that KOLON SPORT's ongoing efforts to expand its strategic presence in high-end shopping malls and e-commerce platforms will become one of the key growth drivers in the Group. As of 31 December 2022, there were 161 KOLON SPORT stores in Mainland China and Hong Kong SAR.



# Management Discussion and Analysis

## Supply Chain Management and Digitalization

In 2022, the economy remained complex due to the unpredictable development of the Pandemic. Under the challenges of delivery, quality and cost, we have developed a supply chain management model with global multi-brand operational excellence. Our supply chain centers on the procurement platform and focuses on the core strategies of each brand, while establishing different procurement models and strategies to cater the differentiated needs of multiple brands.

During the financial year, the Group announced the construction of an integrated operation center in Suzhou to drive the reengineering of the Group's business

process. The center will introduce world-leading digital technology, smart equipment, and a diverse range of businesses covering import distribution, sales settlement, digital operation, smart warehousing and showroom experience.

The Group's digitalization projects have enhanced our intelligent inventory replenishment system and improved the flexibility of our supply chain. We strengthened our fast replenishment system to better manage the inventory levels of multiple brands under ever-changing macroeconomic conditions. To provide a more comprehensive solution for the O2O model, we strived to continuously improve the service quality and efficiency of our logistics operation.

For logistics, the Group has implemented the "5+N" network strategy by building a logistics network comprising five first-tier regional warehouses and multiple second-tier cloud warehouses. By establishing a demand-matching mechanism through automation and intelligent equipment, and optimizing operational management, this strategy can cater the needs of city-level logistics and delivery in various consumption scenarios. Meanwhile, we continued to expand our retail logistics network of our regional and cloud warehouses and unified the operation standards of each warehouse. Through the full operations of Southern China warehouses and Southwestern China warehouses and the support of various digital tools, we increased the volume and efficiency of direct distribution to stores. In

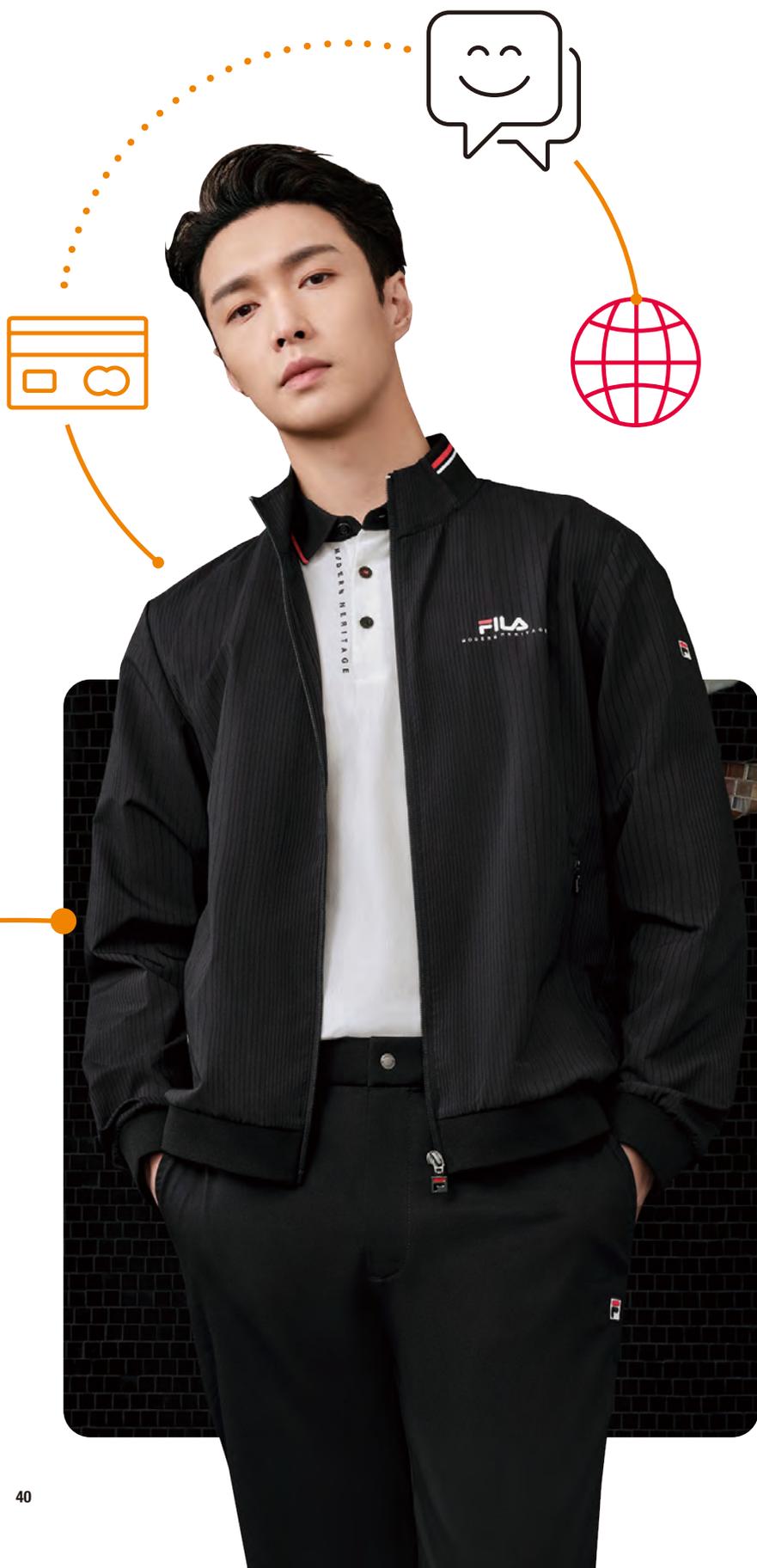




In addition, the construction of the second and third phases of the logistics center continued as scheduled, which will improve our delivery efficiency and expedite the deployment of our e-commerce business. During the financial year, the Group was rated as a national 5A-graded logistics enterprise, reflecting that its comprehensive capability, management capacity and service standards were highly recognized and ranked among the leaders in the country.

For production, the Group carried out a number of innovation and reform initiatives in the areas of raw materials supplier and R&D, to meet the increasing demand for high-end and functional products under each brand during the financial year. We introduced high-end technological material suppliers and producers while striving to improve the value for money with upgraded material quality. For instance, the industry-first intelligent automated production line for shoe granules was commenced in Henan, the ANTA Shoes Innovation R&D Center was unveiled in Jinjiang, and Changting ANTA Sports Products Co., Ltd. has completed its second phase of smart plant construction. The upgrades of the R&D center and equipment will expedite the transformation toward digital intelligence. In addition, the Group signed a cooperative R&D agreement with the Changchun Institute of Applied Chemistry of the Chinese Academy of Sciences to collaborate on an advanced material R&D incubation plan, with an aim to create a scientific research and innovation system covering the entire supply chain. During the financial year, ANTA's self-produced footwear and apparel accounted for 21.1% and 9.6% respectively out of our total sold quantities (2021: 25.5% and 9.7%). FILA's self-produced footwear and apparel accounted for 8.4% and 3.8% out of our total sold quantities (2021: 21.5% and 3.6%).

# Management Discussion and Analysis



## Product Management

Technological innovation, original design and product safety have been the keys to product differentiation. By continuously investing in product innovation, we believe that we can achieve the sustainable and healthy growth of our business.

During the financial year, we entered into partnerships with a number of industry partners and invested resources to enhance R&D capabilities and cultivate talent. The Donghua University – ANTA Group Joint Innovation Center was established, specializing in the application of ultra-light, ultra-thin warming materials, as well as cooling and drying technologies in sporting goods. The center aims to advance interdisciplinary collaborative innovation, promote China's sports industry to expand its global influence. The Group also collaborated with the Beijing Institute of Fashion Technology to set up a sporting gear research center that dedicated to the R&D and production of cutting-edge sporting equipment. The center serves as a platform for industry-academia research collaboration in order to accelerate the training of professional talents and the commercialization of key R&D projects. Additionally, the construction of ANTA Postdoctoral Research Program has been approved. The project will focus on cultivating high-end scientific research talents in the fields of sports science, new materials, new technologies and new processes with postdoctoral research stations.

During the financial year, the Group introduced the "Champion Running Shoes" at the second ANTA Innovation Technology Conference, which showcases the Nitrogen Technology and carbon tube suspension system, as well as an outsole technology platform featuring continuous transformation and upgrades, in order to enhance the performance of technology sports products with smart technology and develop running shoes with targeted functions.

With our dedication to providing high-quality products, we strictly control the quality of all our products, to ensure we deliver perfect products to consumers. If a product with quality problems or potential safety hazards is found after leaving the factory, we will recall the products, and ensure that they are subsequently dealt with in a proper manner according to the "ANTA Recall Management Policy" to reduce the negative impact of selling defective products.

## E-commerce Business

During the financial year, there were structural changes in the e-commerce market. Overall growth of comprehensive e-commerce platforms has slowed down, platform decentralized, and live-streaming platforms have successfully enlarged their market shares. We formulated differentiated marketing strategies for different e-commerce and social platforms, fostered collaborations with a variety of platforms as well as strengthened our penetration into them, in order to implement precise marketing to the satisfy specific needs of our diverse consumer base. Consequently, the e-commerce business of all brands during the financial year contributed 34.3% (2021: 28.6%) of the overall revenue of the Group and increased by 30.7% as compared with 2021 in terms of absolute amount.

We have taken a multi-pronged approach to strengthen our e-commerce presence. In addition to focusing on traditional e-commerce marketplaces, we continued to enhance the operations and content of our official e-commerce store while optimizing the consumer experience. We stepped up our effort to maximize opportunities on emerging platforms and established operation standards, providing appropriate products to support high-performing stores on these platforms. We also optimized our membership system on multiple channels by enhancing member loyalty through differentiated approaches in operations as well as frequent engagement with high-tier members. With the advancement of the short-form video industry, we actively expanded in the field of live-streaming e-commerce, built our live-streaming team, and ramped up our investment to cooperate with the platforms for marketing activities, which enable us to reach a wider audience for all our brands. Among all these online platforms, our business experienced particularly significant growth in our official e-commerce store and Douyin. During the “Double 11” Shopping Festival, our brands

achieved outstanding results in terms of ranking on various online platforms and delivered impressive growth amidst a challenging macro backdrop during the financial year.

By leveraging the online traffic through social media platforms, we spurred consumer sentiment through different marketing campaigns. We strengthened in-store live-streaming marketing, especially during the lockdown period caused by the Pandemic. We shifted sales activities from brick-and-mortar stores to online during lockdown, and at the same time improved consumers’ online experience and expanded private domain traffic to achieve high-quality online growth. On the other hand, we tapped traffic from the public to the private domain and our official e-commerce store through recommendations by key opinion leaders as well as content marketing such as sharing sports knowledge and cultivating a healthy lifestyle on social media platforms, so as to drive our sales volume. Furthermore, we continued to fine-tune the mix of available-exclusively-online products and in-season products in different e-commerce channels to optimize the merchandise selection mechanism. We also stepped up efforts on membership value creation, official e-commerce stores buildup, and public traffic to private domain transformation.

## Human Resources Management

The cornerstone of our success is the joint exertion of our employees at all levels. We have a distinct organizational structure, emphasizing the training and development of our employees, which allows them to contribute their strengths. We are committed to complying with all relevant laws, rules and regulations in order to establish a safe and collegial work environment, to ensure our steady long-term development. We are also dedicated to establishing a favorable environment for both employees and enterprise development, as well as

encouraging our employees to discover their own sense of self-worth. In 2022, the Group won a number of “Best Employer” recognitions, including “Best Employer in China 2022” by China Enterprise Confederation, and “2022 China’s Most Attractive Employers Top 100” by Universum, establishing ourselves as a role model of Chinese employers.

During the Pandemic, the safety and well-being of our employees and their families were of utmost importance, as we provided timely material support and spiritual care for them. In addition to stringent disinfection in the workplace, we also made medicine readily available to employees in need. We encouraged large-scale meetings to be held online to contain the risk of cross-infection and improve operational efficiency. A round-the-clock psychological counseling hotline and platform had been established to help employees alleviate their mental stress. During the acute phase of the Pandemic, the Group extended its care to employees’ basic necessities, providing nucleic acid testing inside the workplace and offering necessary services such as health checkups, comprehensive medical insurance, and food delivery.

In addition, we offer our frontline employees a more competitive remuneration compared to our peers, promote an inclusive and positive corporate culture, and maintain good communication with employees. We encourage employees to explore their full potential with the mentality of “Leaders as Role Model” and “Benchmarking with High Standards”. To improve our employees’ capabilities, we also provide tailored skill training that caters to the needs of various job functions. Our employees are required to participate in regular assessments to ensure that they meet regular standards and possess state-of-the-art know-how.

As of 31 December 2022, we had approximately 59,000 employees (2021: 52,000 employees).

A full-page photograph of actress Ning Chang in a white and black FILA ski jacket. She is holding a white Atomic ski vertically. The jacket features several sponsor logos: FILA, VIS, KRONPLATZ, TECHNOLOGY, and the Alfa Romeo logo on the sleeve. She is wearing white ski gloves with the FILA logo. The background is a snowy mountain landscape under a blue sky. A thin black line with a circular end points from the caption to the ski.

**Ning Chang,**  
*A renowned actress*



**Profit For The Year**

**+0.3%**

**To RMB**

**8.2 Billion**

# Management Discussion and Analysis

## Internal Management

### Legal Compliance

To the knowledge of the Directors and management, we are not aware of any non-compliance of laws or regulations resulting in a significant impact on the Group.

As part of our corporate governance practice, Audit Committee regularly reviews and monitors the Group's policies and practices in compliance with legal and regulatory requirements.

### Relationship with Stakeholders

Good corporate governance mechanisms help build stable relationships with our suppliers, distributors, franchisees, customers, shareholders and other stakeholders. Through various communication channels, we collect feedbacks and advices from stakeholders, which provide considerable benefits to our business. Maintaining long term relationship with our stakeholders is not only an intangible asset to us, but also helps all parties comply with common code of business ethics, achieving win-win outcomes.

### Environmental Protection Measures

We understand that the environment has a long lasting impact on our future development. Meanwhile, we have undertaken 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 lightings and standardize the use of air conditioning to reduce energy consumption and carbon emission. Besides complying with relevant 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.

For further details of our works in environmental protection, please refer to the Company's *Environmental, Social and Governance Report 2022*.

## Principal Risks and Uncertainties Facing the Group

### Policy Risk

#### Risk of Foreign Exchange Policy

While the Group's businesses in Mainland China are denominated in RMB, offshore businesses are denominated in other currencies, which could result in other currencies cash flows. Currently, RMB is a managed floating currency which is adjusted by reference to a basket of foreign currencies. The conversion rates of RMB into other currencies are subject to market fluctuations and are impacted by global economy and political conditions. Changes in foreign exchange rates affect the value of the Group's assets, debts, income and expenses which are denominated in other currencies, leading to impacts to the Group's financial position and performance.

#### Risk of foreign investment policies

In 2019, a consortium of investors leading by the Group was formed and successfully acquired Amer Sports, an international sports brand group with internationally recognized brands including Arc'teryx, Salomon, Wilson, Peak Performance, Atomic, etc. The consortium has formulated a strategic

growth plan to unlock the full potential of those sporting goods and equipment brands. However, outbound investment involves many relevant policies and regulations of China and overseas. If there are subsequent changes in relevant laws, tax policies, foreign exchange policies and financial policies, it may have an adverse impact on the Group's investment value.

### Operational Risk

#### Risk from Counterfeit Brands

Brand is a key consideration that consumers take into account when buying sportswear products. There are a number of unscrupulous manufacturers that counterfeit well-known brands and conduct illegal sales, which has an adverse impact on the brands they replicate. As our brands and sportswear products are well-regarded in the domestic market, we have proactively adopted a number of different safeguards to protect our self-owned IP rights, but it is difficult to identify every infringement of our brands immediately. If our products were counterfeited on a mass scale in the future, there would be an adverse impact on our brand image and profitability.

#### Production Safety Risk

Due to the particularity of the sportswear manufacturing, fire prevention of manufacturing facilities is especially important. The glue used in the production process and semi-finished products and finished products are flammable, and fire would affect production directly and cause an adverse impact to our (and suppliers') operations.

#### Risk of Channel Costs Increase

We adopt a hybrid business model combining wholesale and retail for different

brands, including DTC model and direct retail model. Should retail shop rents and staff costs increase, profitability of the Group, distributors and franchisees would be reduced.

### **Risk of Cross-Region Operation**

Consumer groups' purchasing power and consumption preference are different among different regional markets. Currently, our business locates in multiple areas in China as well as some overseas markets, and it is under fast, steady and healthy development. The cross-region operation and business development bring in higher requirements on the Group's existing organizational structure and managerial system. Therefore, potential internal management and operation risks could exist.

### **Force Majeure Risk**

In case of an uncontrollable change of external market and environment (for instance, a potential natural disaster, an epidemic of category A or category B infectious diseases with provincial level impact, as well as political and economic issues in China and foreign countries), it would have an adverse impact on our operations, and we may not be able to raise sufficient capital resulting in negative impact on sufficient repayment for all borrowings on time.

## **Management Risk**

### **Subsidiaries Management Risk**

Over the years, the Group has conducted strict management and control of its subsidiaries and branch companies in various aspects, including manufacturing, operation, sales, human resources, finance etc. However, the fast development of the Group's businesses and the continuous expansion of its asset scale bring in higher

requirements on the Group's organizational structure and managerial system. This has increased the difficulties to a certain degree in terms of the Group's organizational coordination and operational management. Therefore, potential internal management and operation risks could exist.

### **Risk of Brand Reputation**

The Group has established a complete internal control system as well as product quality and safety management system, in order to facilitate risk and quality controls across the full process. However, there are various factors affecting the product quality. Any mismanagement or loopholes in the process of quality monitoring and procedure control could lead to product quality problems that might not satisfy consumer's need. In this case, our brand image, product sales and operational results could be adversely affected.

### **Supplier Management Risk**

Despite our strict selection mechanisms and quality control system towards suppliers, our business may be affected by numerous factors relating to our suppliers, including the quality of raw materials provided, the timing of product deliveries, transportation capabilities and management capabilities, among others. Cases where the quality of raw materials fails to meet our standards; quality inspection departments are not able to identify 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 operation would also be adversely affected by suppliers' liquidity problem or credit deterioration.

### **Risk from Talent Shortage and Loss of Talent**

The branding of sportswear industry, the digitalization upgrade and the optimization of supply chain require many talents who specialize in brand management, 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 those kinds of talents in the future would adversely impact our operations.

### **Risk from Logistic Management**

We primarily rely on third-party logistics companies to transport our products, and because there are a number of logistics companies that we work with, we face challenges in logistic management. If there are any negligence or mistakes by any logistics companies, resulting in any delay or error on supply of certain products, or even causing product damage, our operations would be adversely affected. Should any incidents 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 customers, stores, distributors and franchisees in time. This would have an adverse impact on our operations.

*(Certain risks were considered as major risks for the financial year based on the risk assessment by management. For details and the related countermeasures, please refer to the Company's Corporate Governance Report hereunder.)*

# Management Discussion and Analysis

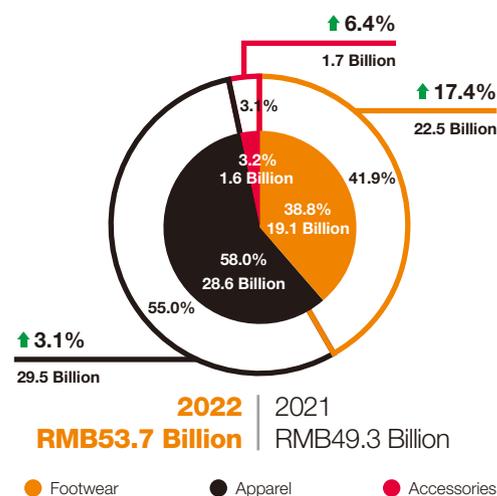
## FINANCIAL REVIEW

### Revenue

#### Breakdown by Product Category

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

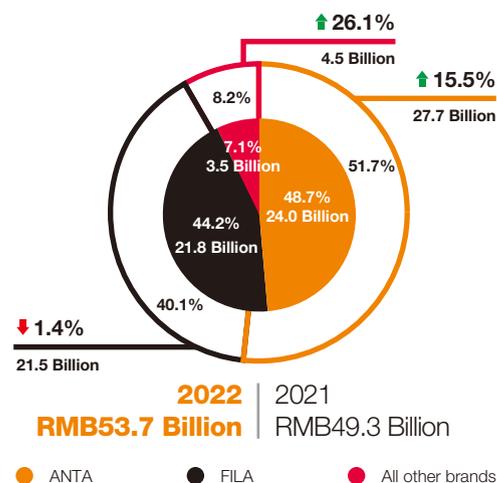
	Year ended 31 December				Changes (%)
	2022		2021		
	(RMB million)	(% of Revenue)	(RMB million)	(% of Revenue)	
Footwear	22,471	41.9	19,139	38.8	↑ 17.4
Apparel	29,523	55.0	28,632	58.0	↑ 3.1
Accessories	1,657	3.1	1,557	3.2	↑ 6.4
<b>Overall</b>	<b>53,651</b>	<b>100.0</b>	<b>49,328</b>	<b>100.0</b>	<b>↑ 8.8</b>



#### Breakdown by Segment

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

	Year ended 31 December				Changes (%)
	2022		2021		
	(RMB million)	(% of Revenue)	(RMB million)	(% of Revenue)	
ANTA	27,723	51.7	24,012	48.7	↑ 15.5
FILA	21,523	40.1	21,822	44.2	↓ 1.4
All other brands	4,405	8.2	3,494	7.1	↑ 26.1
<b>Overall</b>	<b>53,651</b>	<b>100.0</b>	<b>49,328</b>	<b>100.0</b>	<b>↑ 8.8</b>



During the financial year, the Group's revenue increased by 8.8% as compared with 2021 to RMB53,651 million (2021: RMB49,328 million). Throughout most of the year 2022, in strict adherence to the Pandemic preventive policies and initiatives in Mainland China, the Group temporarily suspended the operation of certain brick-and-mortar stores (offline channel) in designated areas in compliance with the guidelines and requirements of local governments. Hence, the offline retail business of the Group was negatively impacted by both a significant drop in foot traffic and weakened consumer sentiment. As a result, the growth momentum for the Group's retail sales performance was adversely affected. Nevertheless, the Group strategically enhanced our e-commerce platforms (online channel) presence to drive online sales, which partially offset the impact of the suspension of the operation of the brick-and-mortar stores.

ANTA segment contributed 51.7% of the overall revenue to the Group. The segment revenue increased by 15.5% as compared with 2021 to RMB27,723 million (2021: RMB24,012 million). The growth in ANTA segment revenue was mainly attributable to (i) growth in e-commerce business; and (ii) increase in DTC revenue as a result of the continuous DTC model transformation in Mainland China; while the increase was partially offset by the Pandemic impact during the financial year.

The following table sets out the ANTA segment's revenue by business model for the financial year:

ANTA Segment	Year ended 31 December				Changes (%)
	2022		2021		
	(RMB million)	(% of Revenue)	(RMB million)	(% of Revenue)	
DTC	13,687	49.4	8,554	35.6	↑ 60.0
E-commerce	9,677	34.9	8,221	34.2	↑ 17.7
Traditional wholesale and others	4,359	15.7	7,237	30.2	↓ 39.8
<b>Total</b>	<b>27,723</b>	<b>100.0</b>	<b>24,012</b>	<b>100.0</b>	<b>↑ 15.5</b>

FILA segment contributed 40.1% of the overall revenue to the Group. The segment revenue decreased by 1.4% as compared with 2021 to RMB21,523 million (2021: RMB21,822 million). The decrease in FILA segment revenue was mainly attributable to the Pandemic impact on direct retail business during the financial year, reflected by both the significant drop in foot traffic and weakened consumer sentiment arising from the temporary suspension of the operation of the brick-and-mortar stores; while the decrease was partially offset by the growth of e-commerce business.

Revenue of all other brands increased by 26.1% as compared with 2021 to RMB4,405 million (2021: RMB3,494 million). The growth was driven by the businesses of DESCENTE and KOLON SPORT.

The e-commerce business contributed 34.3% (2021: 28.6%) of the overall revenue to the Group, and increased by 30.7% as compared with 2021 in terms of absolute amount. The growth was achieved by adopting the "Dynamic Management" approach under the Pandemic, and was also contributed by continuous enhancement in channel mix of the traditional e-commerce platforms (including T-mall, JD.com, Pinduoduo and VIP.com) and expansion of new social media e-commerce channels.

# Management Discussion and Analysis

## 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				
	2022		2021		Changes
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	Gross profit margin (% point)
Footwear	12,782	56.9	11,106	58.0	↓ 1.1
Apparel	18,599	63.0	18,404	64.3	↓ 1.3
Accessories	937	56.5	894	57.4	↓ 0.9
<b>Overall</b>	<b>32,318</b>	<b>60.2</b>	<b>30,404</b>	<b>61.6</b>	<b>↓ 1.4</b>



### 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				
	2022		2021		Changes
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	Gross profit margin (% point)
ANTA	14,872	53.6	12,528	52.2	↑ 1.4
FILA	14,283	66.4	15,394	70.5	↓ 4.1
All other brands	3,163	71.8	2,482	71.0	↑ 0.8
<b>Overall</b>	<b>32,318</b>	<b>60.2</b>	<b>30,404</b>	<b>61.6</b>	<b>↓ 1.4</b>

During the financial year, the Group's overall gross profit margin decreased by 1.4% point as compared with 2021 to 60.2% (2021: 61.6%). The decrease in overall gross profit margin was mainly attributable to decrease in gross profit margin of FILA segment, while the decrease was partially offset by increase in gross profit margin of ANTA segment.

ANTA segment gross profit margin increased by 1.4% point as compared with 2021 to 53.6% (2021: 52.2%). The increase in gross profit margin was mainly attributable to the continuous DTC model transformation which has a higher gross profit margin.

FILA segment gross profit margin decreased by 4.1% point as compared with 2021 to 66.4% (2021: 70.5%). The decrease in gross profit margin was mainly attributable to (i) relatively higher retail discount offered under the Pandemic during the financial year; (ii) increase in product cost rates due to premium product innovation and upgrade and worldwide raw material price inflation since the second half of 2021; and (iii) impact of write-down of inventories.

### Other Net Income

Other net income for the financial year amounted to RMB2,128 million (2021: RMB1,266 million), which mainly comprised of government grants of RMB1,903 million (2021: RMB1,166 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 2.1% point for the financial year due to stringent

cost control measures under the Pandemic. The ratio of staff costs to revenue increased by 1.6% point, which was mainly due to increase in staff headcounts under the DTC model transformation for ANTA business and increase in overall basic salaries, leading to the increase in overall staff costs. The ratio of R&D costs to revenue increased by 0.1% point reflecting the Group's continuous investment in its R&D capability.

### Write-down of Inventories

Inventories are stated at cost or net realizable value, whichever is lower. In the event that net realizable value falls below cost, the difference is taken as write-down of inventories and charged to profit or loss.

During the financial year, write-down of inventories amounting to RMB414 million was charged to profit or loss (2021: RMB75 million). The write-down of inventories reflected the adverse impact to the retail market brought by the Pandemic during the financial year. Given the continuous macro uncertainties, the Group will continue to adopt the flexible "Dynamic Management" approach in response to the market volatilities, in order to maintain a healthy inventory level under the evolving business environment.

### Operating Expenses Ratios



### Impairment Loss of Trade Receivables

Loss allowances for trade receivables are 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 of trade receivables amounting to RMB4 million was credited to profit or loss (2021: RMB22 million credited to profit or loss).

The financial year-end balance of trade receivables decreased for 2 consecutive years, partly due to the DTC model transformation, which reduced the overall level of trade receivables.

# Management Discussion and Analysis

## Profit from Operations and Operating Profit Margin

The following table sets out the profit from operations and operating profit margin by segment for the financial year:

	Year ended 31 December				Changes Operating profit margin (% point)
	2022	Operating profit margin (%)	2021	Operating profit margin (%)	
ANTA	5,925	21.4	5,145	21.4	–
FILA	4,301	20.0	5,339	24.5	↓ 4.5
All other brands	907	20.6	644	18.4	↑ 2.2
	11,133	20.8	11,128	22.6	↓ 1.8
Headquarters and unallocated items	97	N/A	(139)	N/A	N/A
<b>Overall</b>	<b>11,230</b>	<b>20.9</b>	<b>10,989</b>	<b>22.3</b>	<b>↓ 1.4</b>

During the financial year, the Group's overall operating profit margin decreased by 1.4% point as compared with 2021 to 20.9% (2021: 22.3%).

As DTC model (ANTA) and direct retail businesses (FILA and all other brands) of the Group recorded a higher sales contribution as compared with last year, the Group also incurred more expenses relating to retail operation. The Group has implemented stringent cost control measures to reduce operating expenditures in all possible areas, albeit not sufficient to fully offset the Pandemic's impact on sales under DTC model and direct retail businesses in the financial year.

ANTA segment operating profit margin remained at 21.4% (2021: 21.4%). In spite of the increase in operating expenses to

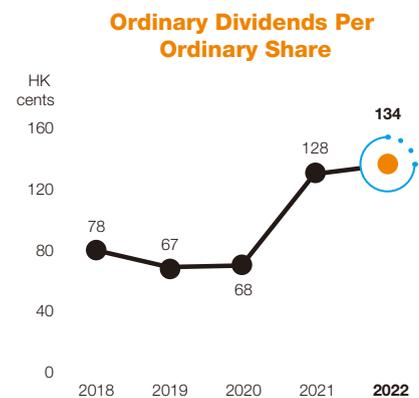
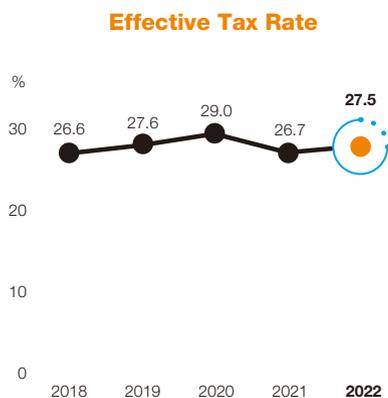
revenue ratio as a result of the continuous DTC model transformation in Mainland China with store level lease expenses and staff costs increased, the impact was offset by the 1.4% point increase in gross profit margin.

FILA segment operating profit margin decreased by 4.5% point as compared with 2021 to 20.0% (2021: 24.5%). The decrease in operating profit margin was mainly attributable to (i) 4.1% point decrease in gross profit margin; and (ii) a slight increase in operating expenses to revenue ratio.

The impact of the Pandemic on the business performance of the Group was ongoing and varies by region and effectiveness of the response taken to address such impact. The drops in foot traffic and consumer sentiment had accelerated in the fourth quarter of 2022, as reflected in the Group's retail sales performance.

Nevertheless, there has been a gradual easing of Pandemic preventive measures in Mainland China, alongside the promulgation of favourable policies to boost domestic consumption. The Group believes that the fundamentals of the sportswear industry remain solid, while the long-term momentum is stable and positive. The Group is prepared to proactively seize the growth opportunities alongside the market recoveries, and will continue to implement "Single-Focus, Multi-Brand, Globalization" strategy to maintain the high quality growth.





## Finance Income/Costs

Total interest income for the financial year amounted to RMB609 million (2021: RMB392 million). The increase was mainly driven by the increase in average bank deposits balances as compared with 2021, reflecting the Group's effective treasury management.

Total interest expense (excluding interest expense on lease liabilities) amounted to RMB210 million (2021: RMB238 million) for the financial year. The decrease was mainly driven by the net repayment of bank loans.

Interest expense on lease liabilities under applicable financial reporting standards amounting to RMB303 million was incurred during the financial year (2021: RMB205 million). The increase was mainly driven by more leases entered into under the DTC model transformation.

## Effective Tax Rate

Effective tax rate (excluding the effect of share of profit of a joint venture) was 27.5% for the financial year (2021: 26.7%). The increase in effective tax rate was mainly due to tax impact of unused tax losses not recognized for certain subsidiaries in the Mainland China.

## Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 1.6% point to 14.1% for the financial year. It was mainly attributable to (i) 1.4% point decrease in operating profit margin; and (ii) increase in effective tax rate; while the decrease was partially offset by share of profit of a joint venture.

## Dividends

The Board has recommended a final dividend of HK72 cents per ordinary share in respect of financial year 2022, together with payments of interim dividend of HK62 cents per ordinary share, representing a total ordinary dividend payout of RMB3,220 million (2021: RMB2,935 million), or a distribution of 42.4% (2021: 38.0%) 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.

On 30 December 2021, the Board declared a specific interim dividend of HK30 cents per ordinary share in respect of financial year 2021, which was paid on 25 January 2022.

## Liquidity and Financial Resources

Despite the challenging business environment under the Pandemic, the Group's financial position remains robust and recorded a net operating cash inflow during the financial year.

As at 31 December 2022, the cash and cash equivalents of the Group amounted to RMB17,378 million which were mainly denominated in RMB, USD, HKD and EUR, representing a decrease of RMB214 million as compared with the cash and cash equivalents of RMB17,592 million as at 31 December 2021 (while the fixed deposits held at bank with maturity over three months increased by RMB3,320 million and the net cash position increased by RMB3,590 million). This was mainly attributable to:

- Net cash inflow from operating activities amounted to RMB12,147 million, which was more than the profit from operations and represented the strong cash generating capability of the Group.

# Management Discussion and Analysis

	2022 (RMB million)	2021 (RMB million)
<b>Year ended 31 December</b>		
Operating cash inflow	12,147	11,861
Capital expenditures	(1,736)	(1,493)
Others	4	1
<b>Free cash inflow</b>	<b>10,415</b>	10,369
<b>As at 31 December</b>		
Cash and cash equivalents	17,378	17,592
Fixed deposits held at bank with maturity over three months	10,305	6,985
Pledged deposits	5	4
Less: borrowings		
– Bank loans	(2,959)	(4,218)
– Bills payable (financing in nature)	(1,000)	(1,000)
– Convertible bonds (liability component)	(7,212)	(6,942)
– Medium term notes	(1,519)	(1,013)
<b>Net cash position</b>	<b>14,998</b>	11,408

- Net cash outflow from investing activities amounted to RMB4,774 million, mainly including capital expenditures of RMB1,736 million, net placements of fixed deposits held at banks with maturity over three months of RMB2,837 million, and net payments of other investments of RMB206 million.
- Net cash outflow from financing activities amounted to RMB7,841 million, mainly including payments of the special interim dividend and the final dividend in respect of financial year 2021 and the interim dividend in respect of the financial year amounting to RMB3,752 million, net repayments of bank loans amounting to RMB1,403 million, payments of interest expenses on bank loans amounting to RMB33 million, net proceeds from issuance

of medium term notes amounting to RMB500 million and payment of lease liabilities amounting to RMB3,138 million.

As at 31 December 2022, total assets of the Group amounted to RMB69,195 million, of which current assets were RMB42,596 million. Total liabilities and non-controlling interests were RMB34,795 million and total equity attributable to equity shareholders of the Company amounted to RMB34,400 million.

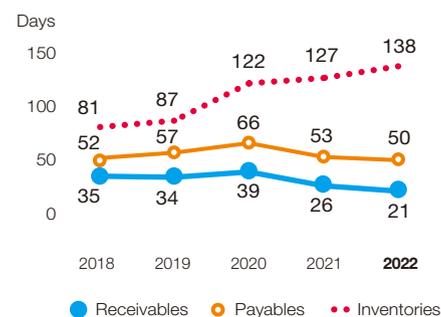
The Group's gearing ratio was 18.3% as at 31 December 2022 (as at 31 December 2021: 21.0%), being a ratio of total borrowings to total assets. Bank loans were denominated in EUR or USD and measured at amortized cost. All bank loans were at fixed rate and repayable within 1 year. Bills payable (financing in nature) were bills of

exchange denominated in RMB, measured at amortized cost and repayable within 1 year. Convertible bonds (liability component) were denominated in EUR, measured at amortized cost and repayable between 2 and 3 years (subject to early redemption provision under the terms and conditions). Medium term notes were denominated in RMB and measured at amortized cost; principal amount of RMB1,000 million were repayable within 1 year, and principal amount of RMB500 million were repayable between 2 and 3 years.

## Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 11 days due to increase in overall inventory level as a result of the Pandemic and DTC model transformation. The average trade receivables turnover days decreased by 5 days with the decreased balance of trade receivables as at the end of the financial year as compared with that as at 31 December 2021, reflecting the Group's effective trade receivable management and DTC model transformation. The average trade payables turnover days decreased by 3 days. The turnover ratios mentioned above were within management's expectation and under control, in light of the impact of the Pandemic.

### Assets/Liabilities Turnover Days



## Pledge of Assets

As at 31 December 2022, the Group had bank deposits of RMB5 million (as at 31 December 2021: RMB4 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 currencies of most of the non-Mainland China entities (other than the joint venture) are 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 the related bank loans) and the convertible bonds (liability component) 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 of AS Holding

At 31 December 2022, the Group has an investment in a joint venture of AS Holding.

Amer Sports is a subsidiary owned by AS Holding and is a sporting goods company with internationally recognized brands including Arc'teryx, Salomon, Wilson, Peak Performance, Atomic, etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase 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. A strategic growth plan

was set by the investor consortium for 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 AS Holding as an investment in a joint venture using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards, as decisions about certain key activities of AS Holding require the consent of directors nominated by other shareholders. The summarized consolidated financial information of AS Holding disclosed in this section are based on the latest available information to the Company and following the accounting policy adopted by the Group.

	2022 (RMB million)	2021 (RMB million)
<b>Year ended 31 December</b>		
<b>Revenue</b>	<b>24,026</b>	19,720
<b>EBITDA</b>	<b>2,575</b>	2,367
Depreciation and amortization	<b>(1,311)</b>	(1,375)
Interest income	<b>21</b>	11
Interest expense	<b>(877)</b>	(964)
Income tax expense	<b>(358)</b>	(193)
<b>Net profit/(loss)</b>	<b>50</b>	(154)
Other comprehensive income	<b>24</b>	714
<b>Total comprehensive income</b>	<b>74</b>	560

	2022 (RMB million)	2021 (RMB million)
<b>As at 31 December</b>		
Non-current assets	<b>39,470</b>	38,526
Current assets	<b>15,044</b>	11,932
Current liabilities	<b>(9,023)</b>	(6,195)
Non-current liabilities	<b>(27,753)</b>	(27,132)
Non-controlling interests	<b>(9)</b>	–
Equity attributable to equity shareholders	<b>17,729</b>	17,131

# Management Discussion and Analysis

During the financial year, AS Holding recorded an EBITDA (on a consolidated basis) of RMB2,575 million and a net profit (on a consolidated basis) of RMB50 million, reflecting the healthy profit generating capability at operation level of the joint venture under the strategic growth plan set by the investor consortium.

During the financial year, due to the significant rise in the discount rate used in impairment testing, goodwill impairment of approximately RMB269 million was recognized for Peak Performance brand business.

At 31 December 2022, the Group effectively held 526,962 shares or 52.70% interest in AS Holding. The carrying amount of the investment in the joint venture was RMB9,343 million, representing 13.5% of the total assets of the Group.

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

## Significant Financing

### Zero Coupon EUR1 Billion Convertible Bonds Due 2025 Issue

On 5 February 2020, the Group issued zero coupon convertible bonds due 2025 in the aggregate principal amount of EUR1 billion, which were listed on the Singapore Stock Exchange. The issue price was 100.25% of the principal amount of the convertible bonds. The convertible bonds may be converted into ordinary shares of the Company pursuant to its terms and conditions.

As at 31 December 2022, an aggregate principal amount of EUR1 billion of the convertible bonds was outstanding and, based on the applicable conversion price per conversion share of HKD101.90 on that date, would be convertible into 84,853,778 conversion shares.

During the financial year, EUR217 million (equivalent to RMB1,539 million) of the net proceeds from the convertible bonds issue were used. As at 31 December 2022, there were no unutilized net proceeds.

Pursuant to the terms and conditions of the convertible bonds, on 5 February 2023 (the "Optional Put Date"), the holder of each convertible bond had the right, at such holder's option, (the "Put Option") to require the Group to redeem all or some only of such holder's convertible bonds on the Optional Put Date at their principal amount. The holders of the relevant convertible bonds should notify the payment agent of their election to exercise the Put Option during normal business hours no later than 6 January 2023 in accordance with the terms and conditions of the convertible bonds.

As of the close of business on 6 January 2023, the payment agent did not receive any notice in relation to the Put Option. Accordingly, none of the holders of the convertible bonds exercised the Put Option and no redemption of the convertible bonds was required under the terms and conditions of the convertible bonds on the Optional Put Date.

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

Intended use of proceeds	Initial intended allocation (EUR million)	Unutilized	Utilized amount	Unutilized
		amount as at 31 December 2021 (EUR million)	for the year ended 31 December 2022 (EUR million)	amount as at 31 December 2022 (EUR million)
<i>Zero Coupon EUR1 Billion Convertible Bonds Due 2025</i>				
Refinancing of existing debts	600	133	(133)	-
Working capital and other general corporate purposes	402	84	(84)	-
	1,002	217	(217)	-

## Issue of New Shares under General Mandate pursuant to 2018 Share Award Scheme

On 4 April 2022, the Company granted an aggregate of 10,294,500 awarded shares to 3,707 selected employees pursuant to the existing 2018 Share Award Scheme. For the purpose of granting the aforesaid awarded shares pursuant to the 2018 Share Award Scheme, on 4 April 2022, the Board also resolved to allot and issue 10,294,500 new Shares to the professional trustee under the 2018 Share Award Scheme pursuant to the general mandate granted by the Shareholders at the AGM held on 7 May 2021.

The issue of new Shares under the general mandate pursuant to the 2018 Share Award Scheme was completed during the financial year. No new funds were raised as a result of the aforesaid allotment and issue of the new Shares.

## Green Medium Term Notes Issue

In July 2022, the Group completed the issue of a tranche of green medium term notes, with an aggregate principal amount of RMB500 million and a coupon rate 2.80% per annum. The green medium term notes will mature in three years from the issue date. The gross and net proceeds from the issue of green medium term notes were RMB500 million and approximately RMB500 million respectively.

The proceeds raised from the green medium term notes issue would be applied towards the construction of the ANTA Shanghai headquarters. ANTA Shanghai headquarters developments project is located at Qingpu District, Shanghai, which is the prime location of the West Hongqiao Business District. The total construction area of this multi-functional complex is about 140 thousand square meters. After the completion, it will not only serve as the global retail headquarters for the Group to achieve the strategy of “Single-focus, Multi-brand, Globalization”, but it will also echo our goal of achieving carbon neutrality by 2050. The project is planned to be completed in 2023 and start operation in 2024. The project and construction drawing are designed in accordance with the requirements of China’s “Green Building Evaluation Standard” (GB/T 50378). The project promises to combine green space, energy-saving design and materials for development.

Saved as disclosed above, during the financial year, the Group made no significant financing.

## Capital Commitments, Contingencies and Guarantee

### Capital Commitments

As at 31 December 2022, the Group had capital commitments of RMB2,262 million, primarily relating to construction of ANTA Shanghai headquarters and Group logistic center, and renovation of retail stores.

## Contingencies

The Group is not involved in any material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

## Guarantee

A five-year EUR1,300 million (equivalent to RMB9,615 million) term loan facility (“Facility A”) is provided by independent third party bank lenders to AS Holding for the purpose of, amongst others, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) 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 AS Holding 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 2022, Facility A has been fully drawn by AS Holding.

Saved as disclosed above, as at 31 December 2022, the Group did not provide any form of guarantee for any company outside the Group.

# Management Discussion and Analysis

## PROSPECTS

### Implementing Long-term Strategies with “Dynamic Management” and Seizing Opportunities Emerging in Recovery with “Long-termism”

Looking ahead to 2023, retail sentiment is poised to strengthen as the Pandemic remains under control, along with easing social distance measures and improving people’s livelihoods. Consumption across China is anticipated to pick up notably and demonstrate a resilient and promising social vitality, ultimately accelerating the recovery of China’s overall economy.

Over the past few years, we have been proactively equipping ourselves. As the leader in China’s sportswear industry, we have taken numerous measures to develop targeted strategies in response to market conditions for each of our brands to build on their respective core competencies. With a solid foundation in place, we are well-prepared to take the next step forward and embark on the next chapter of growth.

As the global economy has remained largely a matter of unpredictability, we continue to be vigilant and responsive to unexpected external situations while leveraging “Dynamic Management” to keep our business afloat. “Long-termism” serves as the backbone of our strategy to guide us to forge ahead with pragmatic measures, and therefore we steadfastly implement this approach in every facet of our daily operations.

The Group adheres to the distinct strategy of “Single-Focus, Multi-Brand, Globalization”. Our brand portfolio with highly differentiated positioning spans across athleisure and professional sports, as well as premium and mass-market segments, effectively providing full coverage to various consumer segments and channels. In order to meet the demands of increasingly segmented markets, we hold fast to our respective brand positionings and improve brand salience, in order to firmly entrench that into the minds of consumers.

### Performance Sports Group – Optimizing Existing Product Portfolio, Expanding New Product Offerings and Creating Flagship Products

For the Performance Sports Group, ANTA and ANTA KIDS will aim to solidify their position as the leader in the Chinese sports products industry and establish a stronger brand salience in consumers’ minds by adhering to the core strategies of being “Rooted in and Known for Performance Sport and Fostering Brand Transformation and Growth”. In addition, we will strive to enhance our product portfolio by creating flagship products through optimizing existing product portfolio and expanding new product offerings. On the one hand, we will optimize our differentiated, highly cost-efficient product portfolio, in order to preserve ANTA’s popularity among mass consumers. On the other hand, we will strengthen our high-end professional sports product offerings and expand our

presence in the high-end market for more growth opportunities. We will also continue to strengthen our footwear product portfolio, including running shoes and basketball shoes, and strive to make breakthroughs in these categories.

At the same time, we will launch more new product lines to cover a wider range of sports scenarios with related products and reach out to target consumer groups preciously, which in turn establishing ANTA’s leadership in the mass sports market. We will also continue to optimize sales channels, including improving the profitability of DTC channels, entering the core business districts in key cities, and driving the growth of our e-commerce business across different platforms, all aim at achieving high-quality business growth.

### Fashion Sports Group – Launching the “Beacon Project” for Brand’s Enhancement

For the Fashion Sports Group, we uphold the principle of “High-quality, High Efficiency and Healthy Growth” in promoting the development of the brands. FILA has launched the “Beacon Project”, which focuses on “elite sports” such as tennis, golf and running, as well as leveraging “fashion driving forces” to drive brand enhancement in four areas – artistic athleticism, top-notch channels, the ambassador matrix, and footwear products. FILA KIDS will align more closely with its high-end children’s clothing positioning in terms of products, marketing, and technological innovation, while FILA

FUSION will deepen its streetwear style and strengthen the brand story of young and fashionable lifestyles.

While our high-end brands have been successfully established in various key markets, we will continue to optimize our existing product series with competitive advantages. We will further venture into product categories with great potentials, such as footwear and performance sports, to maximize our core competitiveness. We will also beef up the differentiation between our product series to enhance products and store efficiency.

In addition, we will optimize the channel deployment, ensuring that the product offering is aligned with the positioning of respective sales channel, and precisely targeting different market segments to thoroughly enhance the shopping experience. We will collaborate across both online and offline channels to continuously improve omni-channel efficiency. Meanwhile, we will keep on strengthening inventory and discount control to enhance brand resilience and achieve high-quality growth for our brands.

### **Outdoor Sports Brand – Elevating Product and Building Brand Salience**

For the outdoor sports brands, our focus is to capitalizing on new opportunities that may arise out of the extended scenarios and from the tremendous potential present in the outdoor sports market. For DESCENTE, our

efforts will continue to be geared towards strengthening its capabilities in terms of branding, top-notch products and retail excellence, with the vision of becoming a premium outdoor sports brand and improving brand salience. By leveraging our innovative and high-quality products, precision marketing, fostering of consumer communities and continuous improvement in the ski awareness ranking, we aim to increase the share of high-spending consumers and improve brand reputation. Additionally, we will enhance the consumer experience across both offline and online channels by creating flagship stores that align with the brand’s positioning.

Over the past few years, KOLON SPORT has made remarkable strides in product capability and quality, which in turn successfully elevated its brand positioning as a premium and high-quality outdoor lifestyle brand while establishing its core scenario. With this year marking the 50th anniversary of the KOLON SPORT, we will continue to enhance the brand’s core product portfolio, incubate product categories with potentials and focus on camping, outdoor sports, high altitude trekking and other types of sports. Meanwhile, we will continue to foster outdoor sports culture and penetrate into premium sales channels with matching products, all in all to further enhance brand image.

### **Sustaining Our Reach in 2023**

By the end of 2023, we expect the total number of ANTA stores and ANTA KIDS

stores in Mainland China and overseas to be 7,100 to 7,200 and 2,800 to 2,900, respectively. FILA (including FILA KIDS and FILA FUSION standalone stores) will have a total of 1,900 to 2,000 stores in Mainland China, Hong Kong SAR, Macao SAR and Singapore. DESCENTE is expected to have 185 to 195 stores in Mainland China, Hong Kong SAR and Macao SAR, while KOLON SPORT is expected to have a total of 175 to 185 stores in Mainland China and Hong Kong SAR.

### **Advancing “Globalization” Strategy Steadfastly**

To bolster our competitive advantage in the global industry, our focus for 2023 remains on advancing our “Globalization” strategy. ANTA Sports will keep on expanding its presence in the China market while reinforcing its leading market position. In recognition of the potential of Southeast Asian market, we have established a Southeast Asia International Business Unit to strengthen our penetration in these regions.

Amer Sports will continue to fortify its business in three key markets – China, North America and Europe – with the aim of achieving global leadership in its respective segments and realize the “Five billion euro targets”, including the establishment of three “Billion euro brands” – Arc’teryx, Salomon and Wilson – as well as driving its DTC and China business to the billion Euros level.

# Management Discussion and Analysis

We will capitalize on the impressive breakthroughs achieved through Amer Sports' organizational restructuring and rebranding of core brands, to align the operations of Amer Sports' brands with the evolving consumption upgrades and to lead the high-end outdoor sports. We will extend our reach to the middle-class urban sports while enhancing brand innovation and retail capabilities. At the same time, we will further optimize and standardize our operational processes to maximize efficiency.

## Optimizing Management Structure and Upholding Cultures Cores

As a prominent corporate with significant brand influence, sustainable development is of utmost importance in our future development plan. We are at the forefront of the sportswear industry in China with an increasingly maturing sustainability governance structure, as well as enhanced sustainability engagement and management at every level of our operations including board-level. We have also placed a greater emphasis on sustainable suppliers by publishing the "Supplier Sustainability Management Handbook", which further clarifies the management standards in the areas of labor rights, health and safety, environmental responsibility, and sustainability management systems.

This optimized management structure provides better support for the implementation of our "Single-focus, Multi-brand, Globalization" strategy. Meanwhile, our sustainable development strategy and "1+3+5" strategic goals will serve as guides for our sustainable development practices. We remain committed to advancing in the areas of consumers, employees, partners, society and the environment. We will promote sustainable consumption in product development and marketing, build a sustainable supply chain, promote responsible operation and participate in environmental and charity activities, in an effort to achieve the Group's medium and long-term goals and create more value for our stakeholders in a sustainable manner.

With a vision to become "a leading multi-brand sportswear group in the world", we are dedicated to promoting the healthy development of each brand and to becoming the industry benchmark in terms of brand value, technological innovation, social responsibility and employee engagement. As the market continues to recover amidst uncertainty, we remain committed to three cores of our culture – "Consumer-oriented", "Benchmarking with High Standard", "Leaders as Role Model". These three core values will enable us to execute efficiently, to tide over business challenges and adversities, and to create greater value for both our consumers and Shareholders.



Adhering to the  
**“Single-Focus, Multi-Brand, Globalization”** strategy  
 to reinforce its leading position in  
 different market segments

**1**

**ONE**  
Major Goal



Perpetuating healthy development of multiple brands

**3**

**THREE**  
Must-win  
Battles



Upgrades and breakthroughs of ANTA

- Optimizing existing product portfolio and expanding new product offerings
- Breakthroughs in channels
- Upgrading brand image



High-quality growth of FILA

- Staying on top of trends
- Building brand salience
- Retail Excellence



Enhancement of organizational structure and human resources

- Sturdy internal pipeline for talent development and supply

**6**

**SIX**  
Management  
Focuses



Increase store efficiency



Healthy inventory level



Supply chain upgrade



Logistics efficiency



Digitalization



ESG implementation



**Target number of stores by the end of 2023**

ANTA:	ANTA KIDS:	FILA, FILA KIDS and FILA FUSION:
7,100-7,200	2,800-2,900	1,900-2,000
DESCENTE:	KOLON SPORT:	
185-195	175-185	

# Investors Information

## Share Information

Listing Day:  
**10 July 2007**

Board lot size:  
**200 shares**

Numbers of shares outstanding:  
**2,713,623,500 shares**  
(As at 31 December 2022)

## Stock Codes

Hong Kong Stock Exchange  
**2020**

Reuters  
**2020.HK**

Bloomberg  
**2020HK**

MSCI  
**3741301**

## Dividends

HK cents	2018	2019	2020	2021	2022
Ordinary interim	50	31	21	60	<b>62</b>
Ordinary final	28	36	47	68	<b>72</b>
Special interim	–	–	–	30	–

## Important Dates

Annual results announcement	<b>21 March 2023</b>
Annual general meeting	<b>10 May 2023</b>
Record date of 2022 final dividend	<b>16 May 2023 4:30 p.m.</b>
Payment date of 2022 final dividend	<b>On or about 29 May 2023</b>
Financial year end date of 2023	<b>31 December 2023</b>

## Investor Relations Contacts

If you have any inquiries, please contact:

IR Department – ANTA Sports Products Limited  
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Telephone: (852) 2116 1660 Fax: (852) 2116 1590 E-mail: [ir@anta.com.hk](mailto:ir@anta.com.hk)

IR website: [ir.anta.com](http://ir.anta.com) Brand website: [www.anta.com](http://www.anta.com)

# Report of the Directors

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2022.

## Principal Place of Business

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong SAR and has office at 16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong SAR. 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, as detailed in note 16 to the financial statements.

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 22 to 59 of this 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 are as follows:

	2022		2021	
	Percentage of the Group's total		Percentage of the Group's total	
	Sales	Purchases	Sales	Purchases
The largest customer	4.8%		4.1%	
Five largest customers in aggregate	7.8%		7.7%	
The largest supplier		4.3%		3.5%
Five largest suppliers in aggregate		16.7%		14.5%

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 10 and 11 of this annual report.

## Financial Statements

The financial performance of the Group for the year ended 31 December 2022 and the financial positions of the Company and the Group as at that date are set out in the financial statements on pages 139 to 212 of this annual report.

# Report of the Directors

## Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB7,590 million (2021: RMB7,720 million) have been transferred to the reserves. Other movements in reserves are set out in note 27 to the financial statements.

## Recommended Dividend

An interim dividend of HK62 cents (2021: HK60 cents) per ordinary share in respect of the year ended 31 December 2022 was paid on 20 September 2022.

The Directors now recommend the payment of a final dividend of HK72 cents (2021: HK68 cents) per ordinary share in respect of the year ended 31 December 2022.

A special interim dividend of HK30 cents per ordinary share in respect of the year ended 31 December 2021 was declared on 30 December 2021 and was paid on 25 January 2022. In respect of the year ended 31 December 2022, no special interim dividend was declared and no special final dividend was recommended by the Directors.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

## Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB23 million (2021: RMB65 million).

## Properties

Details of acquisitions and other movements in properties (including property, plant and equipment and construction in progress) during the financial year are set out in notes 10 and 12 to the financial statements.

## Borrowings

Particulars of borrowings of the Group as at 31 December 2022 are set out in note 21 to the financial statements.

## Share Capital

Details of the movements in share capital of the Company during the financial year are set out in note 26 to the financial statements.

## Debenture Issued

In July 2022, the Group completed the issue of a tranche of green medium term notes, with an aggregate principal amount of RMB500 million at a coupon rate 2.80% per annum. The green medium term notes will mature in three years from the issue date. The green medium term notes are freely transferable but not convertible into shares of a corporation.

The gross and net proceeds from the issue of green medium term notes were RMB500 million and approximately RMB500 million respectively. The proceeds raised from the green medium term notes issue would be applied towards the construction of the ANTA Shanghai headquarters.

## Equity-Linked Agreements

Save as disclosed in the annual report, no equity-linked agreements were entered by the Group into during the financial year or subsisted at the year end.

## Purchases, Sales and Redemptions of Listed Securities

During the financial year, no ordinary shares (2021: Nil) in the Company were purchased from the Hong Kong Stock Exchange by the trustee of the 2018 Share Award Scheme.

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 (*Co-Chief Executive Officer*) (*NC, RMC, SC*)  
Mr. Wu Yonghua (*Co-Chief Executive Officer*) (*SC*)  
Mr. Zheng Jie (*SC*)  
Mr. Bi Mingwei (*Chief Financial Officer*)

### Non-Executive Director

Mr. Wang Wenmo (resignation effective from 1 July 2022)

### Independent Non-Executive Directors

Mr. Dai Zhongchuan (resignation effective from 1 July 2022) (*AC, RC, RMC*)  
Mr. Yiu Kin Wah Stephen *JP* (*AC, NC, RMC, SC*)  
Mr. Lai Hin Wing Henry Stephen (*AC, RC, NC, SC*)  
Ms. Wang Jiaqian (*AC, RC, RMC, SC*)  
Ms. Xia Lian (appointment effective from 1 July 2022) (*AC, RC, RMC, SC*)

*AC: Audit Committee*

*RC: Remuneration Committee*

*NC: Nomination Committee*

*RMC: Risk Management Committee*

*SC: Sustainability Committee*

Details of the Directors' biographies have been set out on pages 132 to 133 of this annual report.

Mr. Wang Wenmo tendered his resignation as a Non-Executive Director with effect from 1 July 2022 due to the need to focus on his other personal businesses. Mr. Wang confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the Shareholders or the Hong Kong Stock Exchange. The Board expressed its sincere gratitude to Mr. Wang for his invaluable contributions to the Company during the tenure of his service as a Director.

Mr. Dai Zhongchuan tendered his resignation as an Independent Non-Executive Director with effect from 1 July 2022 due to the need to focus on his other personal businesses. Mr. Dai confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the Shareholders or the Hong Kong Stock Exchange. The Board expressed its sincere gratitude to Mr. Dai for his invaluable contributions to the Company during the tenure of his service as a Director.

Ms. Xia Lian was appointed as an Independent Non-Executive Director by the Board to fill a casual vacancy with effect from 1 July 2022. Ms. Xia was appointed by way of a letter of appointment with a term of three years. In accordance with article 83 of the Company's articles of association, her appointment shall be subject to retirement and shall be eligible for re-election at the first AGM after her appointment. As such, Ms. Xia Lian will retire from office at the forthcoming AGM and, being eligible, offer herself for re-election.

Mr. Bi Mingwei and Ms. Wang Jiaqian were appointed as an Executive Director and an Independent Non-Executive Director respectively by the Board as additions to the then existing Board during financial year 2021. In accordance with article 86 of the previous then Company's articles of association, they shall be subject to retirement and shall be eligible for re-election at the next following AGM after their appointments. As such, Mr. Bi Mingwei and Ms. Wang Jiaqian will retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election.

# Report of the Directors

In accordance with article 84 of the Company's articles of association, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. Mr. Ding Shijia, Mr. Yiu Kin Wah Stephen and Mr. Lai Hin Wing Henry Stephen 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 or a letter of appointment (as the case may be) with the Company for a term of three years until terminated by giving a three-month 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 one year without payment of compensation, other than statutory compensation.

## 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.

## 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 coverage 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 has adopted a directors (and senior management) remuneration policy to maintain fair and competitive packages of the Directors based on the business needs of the Group and industry practice. For determining the remuneration packages of each Director, market rates and factors such as individual workload, duties and required commitment are taken into account (including their individual performance or the performance of the respective department(s) and business unit(s) that they are in charge). In addition, factors comprising economic and market situations, individual contributions to the Group's results and development (including the aspect of sustainability) as well as individual's potential are considered when determining the remuneration packages of Directors. At the same time, remuneration levels shall be sufficient to attract and retain Directors to run the Group successfully without paying more than necessary.

Remuneration Committee assists the Board on formulating remuneration policy and determining the emoluments of the Directors. Responsibilities and work performed in the financial year by Remuneration Committee are stated on pages 92 to 93 in the Corporate Governance Report.

Particulars regarding Directors' remuneration as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 6 to the financial statements.

During the financial year, there is no arrangement under which a Director has waived or agreed to waive any emoluments.

## Arrangements to Purchase Shares or Debentures

Save as disclosed in this annual report, 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 close associate (as defined under the Listing Rules) 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 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.

## Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of any business of the Company were entered into during the financial year or subsisted at the year end.

## Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2022, 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 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 <sup>(2)</sup>	Approximate percentage of interest in such corporation <sup>(1)</sup>
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,486,946,000(L) <sup>(3)</sup>	–	54.80%
	Anta International	Founder of a discretionary trust	503,172,690(L) <sup>(3)</sup>	–	34.06%
	Anta International	Interest in controlled corporation	18,267,273(L) <sup>(3)</sup>	–	1.24%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,478,500,000(L) <sup>(4)</sup>	–	54.48%
	Anta International	Founder of a discretionary trust	495,300,570(L) <sup>(4)</sup>	–	33.52%
Mr. Lai Shixian	Company	Beneficial owner	491,955(L)	–	0.02%
	Company	Beneficiary of a trust (other than a discretionary trust)	–	400,000(L)	0.01%
	Anta International	Beneficiary of a discretionary trust/ Interest of spouse	146,189,463(L) <sup>(5)</sup>	–	9.89%
Mr. Wu Yonghua	Anta International	Interest in controlled corporation	39,961,734(L) <sup>(5)</sup>	–	2.70%
	Anta International	Founder of a discretionary trust	78,136,038(L) <sup>(6)</sup>	–	5.29%
Mr. Zheng Jie	Company	Beneficial owner	800,000(L)	–	0.03%
Mr. Bi Mingwei	Company	Beneficial owner	122,771(L)	–	0.00%
	Company	Beneficiary of a trust (other than a discretionary trust)	–	120,000(L)	0.00%
Mr. Yiu Kin Wah Stephen	Company	Beneficial owner	33,000(L)	–	0.00%
	Company	Other	20,000(L) <sup>(7)</sup>	–	0.00%

(L) – Long Position

# Report of the Directors

## Notes:

- (1) As at 31 December 2022, the number of outstanding ordinary shares of the Company and of Anta International were 2,713,623,500 and 1,477,500,000, respectively.
- (2) The interests in underlying Shares represent the interests in awarded share granted pursuant to the 2018 Share Award Scheme, details of which are set out in the section entitled "Share Award Scheme" below.
- (3) A total of 1,477,500,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, and 9,446,000 Shares were directly held by Shine Well (Far East) Limited ("Shine Well"), representing 54.45% and 0.35% of the issued Shares as at 31 December 2022 respectively. Shine Well directly held 503,172,690 shares of Anta International, representing 34.06% of the issued shares of Anta International as at 31 December 2022, and was 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 was deemed to be interested in all the Shares held by Anta International. The entire issued shares of Shine Well was held by Top Bright Assets Limited ("Top Bright"). The entire issued shares of Top Bright was in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the DSZ Family Trust. The DSZ Family Trust was an irrevocable discretionary trust set up by Mr. Ding Shizhong as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSZ Family Trust are family members of Mr. Ding Shizhong. Mr. Ding Shizhong as founder of the DSZ Family Trust was deemed to be interested in the total 1,486,946,000 Shares held by Anta International and Shine Well and 503,172,690 shares of Anta International held by Shine Well. 18,267,273 shares of Anta International, representing 1.24% of the issued shares of Anta International as at 31 December 2022, were directly held by Blossom Prospect Limited ("Blossom Prospect"). Mr. Ding Shizhong held 50% of the issued shares of Blossom Prospect and was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Blossom Prospect, and therefore was deemed to be interested in 18,267,273 shares of Anta International held by Blossom Prospect.
- (4) A total of 1,477,500,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, and 1,000,000 Shares were directly held by Talent Trend Investment Limited ("Talent Trend"), representing 54.45% and 0.04% of the issued Shares as at 31 December 2022 respectively. Talent Trend directly held 495,300,570 shares of Anta International, representing 33.52% of the issued shares of Anta International as at 31 December 2022, and was 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 was deemed to be interested in all the Shares held by Anta International. The entire issued shares of Talent Trend was held by Allwealth Assets Limited ("Allwealth"). The entire issued shares of Allwealth was in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust was 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 was deemed to be interested in the total 1,478,500,000 Shares held by Anta International and Talent Trend and 495,300,570 shares of Anta International held by Talent Trend.
- (5) Certain interests of Mr. Lai Shixian in Anta International were held through Gain Speed Holdings Limited ("Gain Speed"), which directly held 146,189,463 shares of Anta International, representing 9.89% of the issued shares of Anta International as at 31 December 2022. The entire issued shares of Gain Speed was held by Spring Star Assets Limited. The entire issued shares of Spring Star Assets Limited was in turn held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust was an irrevocable discretionary trust set up by 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 were Mr. Lai Shixian, Ms. Ding Yali and their family members. Ms. Ding Yali as the founder of the DYL Family Trust was deemed to be interested in the 146,189,463 shares of Anta International held by Gain Speed. Mr. Lai Shixian as one of the beneficiaries of the DYL Family Trust and as the spouse of Ms. Ding Yali was deemed to be interested in the 146,189,463 shares of Anta International held by Gain Speed. 18,267,273 shares of Anta International, representing 1.24% of the issued shares of Anta International as at 31 December 2022, were directly held by Blossom Prospect. Mr. Lai Shixian held 50% of the issued shares of Blossom Prospect and was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Blossom Prospect, and therefore was deemed to be interested in 18,267,273 shares of Anta International held by Blossom Prospect. 21,694,461 shares of Anta International, representing 1.47% of the issued shares of Anta International as at 31 December 2022, were directly held by First Start Investment Limited ("First Start"). Mr. Lai Shixian held 90% of the issued shares of First Start and was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of First Start, and therefore was deemed to be interested in 21,694,461 shares of Anta International held by First Start.
- (6) The interests of Mr. Wu Yonghua in Anta International were held through Spread Wah International Limited ("Spread Wah"), which directly held 78,136,038 shares of Anta International, representing 5.29% of the issued shares of Anta International as at 31 December 2022. The entire issued shares of Spread Wah was held by Allbright Assets Limited. The entire issued shares of Allbright Assets Limited was in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust was 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 were Mr. Wu Yonghua and his family members. Mr. Wu Yonghua as the founder and one of beneficiaries of the WYH Family Trust was deemed to be interested in the 78,136,038 shares of Anta International held by Spread Wah.
- (7) The interests of Mr. Yiu Kin Wah Stephen were held by his family member as at 31 December 2022. 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 2022, 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 2022, 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, or which were notified to the Company, were as follows:

### Interests in Shares and/or 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 <sup>(1)</sup>	1,487,995,600(L)	54.83%
Top Bright	Interest in controlled corporation <sup>(1)</sup>	1,486,946,000(L)	54.80%
Shine Well	Interest in controlled corporation <sup>(1)</sup>	1,477,500,000(L)	54.45%
	Beneficial owner <sup>(1)</sup>	9,446,000(L)	0.35%
Allwealth	Interest in controlled corporation <sup>(1)</sup>	1,478,500,000(L)	54.48%
Talent Trend	Interest in controlled corporation <sup>(1)</sup>	1,477,500,000(L)	54.45%
	Beneficial owner <sup>(1)</sup>	1,000,000(L)	0.04%
Anta International	Beneficial owner <sup>(2)</sup>	1,201,125,000(L)	44.26%
	Interest in controlled corporation <sup>(2)</sup>	276,375,000(L)	10.18%
Anda Holdings	Beneficial owner	160,875,000(L)	5.93%

(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 44.26%, 5.93%, 4.26%, 0.35% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 49,600 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 WYH Family Trust and the DYL Family Trust, and it held the entire issued shares of Top Bright and Allwealth, which in turn held the entire issued shares 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 1,201,125,000 Shares directly held by Anta International. Anta International held the entire issued shares 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, Allwealth, Shine Well and Talent Trend were deemed to be interested in the total 1,477,500,000 Shares held by Anta International and its wholly-owned subsidiaries. 9,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright 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 were also deemed to be interested in the 1,000,000 Shares held by Talent Trend.

- (2) 1,201,125,000 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 2022, 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.

# Report of the Directors

## Continuing Connected Transactions

Certain related party transactions as disclosed in note 31 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this annual 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 15 December 2021.

### 1. Packaging Material Supply Agreement with Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wang Wenmo (collectively “Family Directors”)

On 15 December 2021, the Company and the Family Directors entered into a packaging material supply agreement (the “2022 PMSA”) for a term of three years from 1 January 2022 to 31 December 2024 in relation to the supply of paper packaging materials (including but not limited to cardboard cases, paper bags and shoe boxes, “PPM”). Each Family Director shall, and shall procure his relevant associates to, supply PPM to the relevant member(s) of 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-party suppliers. Each of the Company and the Family Directors shall, and shall procure the relevant member(s) of the Group and the Family Directors’ relevant associates respectively to, enter into a separate sub-agreement for each of the recurring transactions. The detailed terms of a specific transaction shall be set out in such sub-agreement (which is ancillary to and subject to the terms and conditions of the 2022 PMSA) entered or to be entered into. Associates of the Family Directors are companies principally engaged in the manufacture and sales of packaging materials in the Mainland China.

Under the 2022 PMSA, the prices for PPM shall be agreed upon from time to time after arm’s length negotiations between (i) the relevant member(s) of the Group and (ii) the Family Directors and/or their relevant associates, and shall be comparable to and no less favourable than market prices of similar PPM offered by independent third-party 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 to the Group in relation to similar PPM, or such other credit period as agreed in the specific sub-agreement ancillary to the 2022 PMSA.

As at the date of the 2022 PMSA, each of the Family Directors, being Mr. Ding Shizhong, Mr. Ding Shijia (the elder brother of Mr. Ding Shizhong), Mr. Lai Shixian (a brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia) and Mr. Wang Wenmo (a cousin of Mr. Ding Shizhong and Mr. Ding Shijia), was a Director, and thus a connected person of the Company. Therefore, the 2022 PMSA and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details please refer to the announcement of the Company dated 15 December 2021.

During the financial year, the Group’s purchase of PPM from the Family Directors (and their associates) amounted to RMB101 million.

### 2. Master Services Agreement with Family Directors

On 15 December 2021, the Company and Family Directors entered into a master service agreement (the “2022 MSA”) for a term of three years from 1 January 2022 to 31 December 2024 for the provision of Relevant Services (as defined below). “Relevant Services” are the leasing of transportation vehicles, land and properties (including leases of land, factory premises, warehouses, staff quarters, retail stores and offices), and provision of warehouse management services and logistic services by the Family Directors and/or their relevant associates to the Group subject to the terms and conditions of the 2022 MSA. Each Family Director shall, and shall procure his relevant associates to, provide the Relevant Services to the relevant member(s) of the Group at prevailing market price with reference to the nature and the scope of the Relevant Services provided or to be provided by such Family Director and/or his relevant associates (including but not limited to property location and area, ancillary facilities and equipment, and transportation network, and/or service nature) from time to time on normal commercial terms which are no less favourable than those terms made available to the Group from independent third-

party suppliers. Each of the Company and the Family Directors shall, and shall procure the relevant member(s) of the Group and the Family Directors' relevant associates respectively to, enter into a separate sub-agreement for each of the recurring transactions. The detailed terms of a specific transaction shall be set out in such sub-agreement (which is ancillary to and subject to the terms and conditions of the 2022 MSA) entered or to be entered into.

Under the 2022 MSA, the rents and/or service fees for the Relevant Services shall be agreed upon from time to time after arm's length negotiations between (i) the relevant member(s) of the Group and (ii) the Family Directors and/or their relevant associates, and shall be comparable to and no less favourable than (i) the fair market rents or market prices of leases or services offered to the Group by independent third-party suppliers that are similar to the Relevant Services; and (ii) the rents and/or service fees charged by the Family Directors and/or their relevant associates against independent third parties for leases or services that are similar to the Relevant Services. 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 third-party suppliers to the Group in relation to leases or services similar to the Relevant Service, or such other credit period as agreed in the specific sub-agreement ancillary to the 2022 MSA.

As at the date of the 2022 MSA, each of the Family Directors, being Mr. Ding Shizhong, Mr. Ding Shijia (the elder brother of Mr. Ding Shizhong), Mr. Lai Shixian (a brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia) and Mr. Wang Wenmo (a cousin of Mr. Ding Shizhong and Mr. Ding Shijia), was a Director, and thus a connected person of the Company. Therefore, the 2022 MSA and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For details please refer to the announcement of the Company dated 15 December 2021.

During the financial year, service fees for the provision of the Relevant Services to the Group by Family Directors (and their associates) amounted to RMB24 million.

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 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 (Revised), *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 unmodified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

# Report of the Directors

## Convertible Bonds

On 5 February 2020, the Group completed the issuance of EUR1,000 million zero coupon convertible bonds due on 5 February 2025 and the convertible bonds are listed on the Singapore Stock Exchange.

The conversion price per conversion share is subject to adjustments in accordance with the terms and conditions of the convertible bonds, and was adjusted to HKD101.90 as at 31 December 2022. For details of the adjustments of the conversion price during the financial year, please refer to the announcements of the Company dated 30 December 2021, 11 May 2022 and 23 August 2022.

As at 31 December 2022, the total number of the issued shares of the Company is 2,713,623,500. Based on the applicable conversion price of HKD101.90 on that date and assuming full conversion of the convertible bonds, the convertible bonds will be convertible into 84,853,778 conversion shares, representing approximately 3.13% of the issued Shares and approximately 3.03% of the issued Shares as enlarged by the issuance of such conversion shares (assuming that there is no other change to the issued Shares).

The conversion shares that may fall to be issued upon exercise of the conversion right attaching to the convertible bonds will be issued under the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the AGM held on 9 April 2019. The conversion shares to be issued upon exercise of the conversion right attaching to the convertible bonds will be fully paid and rank *pari passu* in all respects with the Shares then in issue on the date on which the name of the exercising bondholder is registered as holder of the relevant conversion shares in the register of members of the Company.

As at 31 December 2022, the total outstanding principal amount of the convertible bonds was EUR1,000 million (equivalent to RMB7,396 million). There had not been any exercise of conversion right of the convertible bonds and no redemption right had been exercised by the bondholders or the Company during the financial year.

Assuming the convertible bonds were fully converted on 31 December 2022, the shareholdings of the Company immediately before and after the full conversion of the convertible bonds are set out below for illustration purposes:

Name of Shareholders	Shareholding immediately before the full conversion of the convertible bonds		Upon full conversion of the convertible bonds at the conversion price of HKD101.90 each	
	Number of Shares	Approximate % of issued shares of the Company	Number of Shares	Approximate % of issued shares of the Company
Anta International <sup>(1)</sup>	1,201,125,000	44.26%	1,201,125,000	42.92%
Anda Holdings <sup>(1)</sup>	160,875,000	5.93%	160,875,000	5.75%
Anda Investments <sup>(1)</sup>	115,500,000	4.26%	115,500,000	4.13%
Shine Well	9,446,000	0.35%	9,446,000	0.34%
Talent Trend	1,000,000	0.04%	1,000,000	0.04%
Hemin Holdings <sup>(2)</sup>	84,500,000	3.11%	84,500,000	3.02%
Bondholders	–	–	84,853,778	3.03%
Other Shareholders	1,141,177,500	42.05%	1,141,177,500	40.77%
Total	2,713,623,500	100.00%	2,798,477,278	100.00%

Notes:

- (1) Each of Anda Holdings and Anda Investments is wholly-owned by Anta International.
- (2) Hemin Holdings is a company controlled by Mr. Ding Shizhong, Mr. Ding Shijia and their family members.

Based on the cash and cash equivalents and the fixed deposits held at banks with maturity over three months as at 31 December 2022, the Company has the ability to meet its redemption obligation under the convertible bonds.

Please refer to note 21(c) to the consolidated financial statements for further details of the convertible bonds.

### Partial Redemption by Bondholders

Pursuant to the terms and conditions of the convertible bonds, on 5 February 2023 (the “Optional Put Date”), the holder of each convertible bond had the right at such holder’s option (the “Put Option”), to require the Group to redeem all or some only of such holder’s convertible bonds on the Optional Put Date at their principal amount. The holders of the relevant convertible bonds should notify the payment agent of their election to exercise the Put Option during normal business hours no later than 6 January 2023 in accordance with the terms and conditions of the convertible bonds.

As of the close of business on 6 January 2023, the payment agent did not receive any notice in relation to the Put Option. Accordingly, none of the holders of the convertible bonds exercised the Put Option and no redemption of the convertible bonds was required under the terms and conditions of the convertible bonds on the Optional Put Date.

### Bondholders to Convert or Redeem

The analysis of the Company’s share price at which it would be equally financially advantageous for the bondholders to convert or redeem the convertible bonds based on their implied rate of return (and therefore the bondholders would be indifferent as to whether the convertible bonds are converted or redeemed) at certain dates in the future is as follows:

Date	30 June 2023	31 December 2023
Company’s share price	HKD101.53	HKD102.13

## 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 SAR. Particulars of these retirement schemes are set out in note 23 to the financial statements.

## Share Option Scheme

Pursuant to a resolution passed by the Shareholders at the AGM dated 6 April 2017, the Company adopted the 2017 Share Option Scheme. The 2017 Share Option Scheme shall be valid and effective for a period of ten years from the adoption of the scheme on 6 April 2017.

The purpose of the 2017 Share Option Scheme is to motivate Eligible Persons (as defined in the 2017 Share Option Scheme) 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 2017 Share Option Scheme), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

## Report of the Directors

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 2017 Share Option Scheme 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 2017 Share Option Scheme, the Board shall be entitled at any time within ten years after the adoption date to offer the grant of an option to any Eligible Persons 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 2017 Share Option Scheme) 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 2017 Share Option Scheme. 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 HKD1.0 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 scheme mandate limit, being the maximum number of Shares which may be issued upon exercise of all options to be granted, under the 2017 Share Option Scheme and any other schemes of the Group is 10% of the issued shares of the Company as at the adoption date of the scheme (i.e. 267,753,910 shares). 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. Also, the maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2017 Share Option Scheme and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options during any twelve-month period exceeding 1% of the total shares of the Company then in issue.

Unless otherwise determined by the Board and specified in the grant letter, the Group and/or grantee shall achieve the performance conditions set out in the grant letter before the options can be vested.

An option may be exercised in accordance with the terms of the 2017 Share Option Scheme at any time during a period as determined by the Board, which must not be more than ten years from the date of grant. The exercise of an option granted under the 2017 Share Option Scheme is subject to any vesting period and performance target as determined by the Board from time to time. As at 31 December 2022, the remaining life of the 2017 Share Option Scheme is around 4 years.

The number of options available for grant under the scheme mandate of the 2017 Share Option Scheme at the beginning and the end of the financial year was 267,753,910 and 267,753,910, respectively. No options were granted under the 2017 Share Option Scheme since the adoption of the scheme. No options were granted, exercised, lapsed or cancelled under the 2017 Share Option Scheme during the financial year. As at 31 December 2022, there were no outstanding options under the 2017 Share Option Scheme.

The total number of new Shares available for issue under the 2017 Share Option Scheme is 267,753,910, representing approximately 9.87% of the issued Shares, as at the date of this annual report.

## Share Award Scheme

The Company adopted the 2018 Share Award Scheme on 19 October 2018 in which employees of the Group are entitled to participate, and shall be valid and effective for a term of ten years commencing on the adoption date. The specific objectives of the 2018 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 2018 Share Award Scheme, the professional trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the scheme could use the cash contributed by the Group to purchase from open market or subscribe (as the case may be) the shares of the Company, and hold the shares in the 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 total number of existing Shares and new Shares awarded by the Board under the 2018 Share Award Scheme exceeding 10% of the number of the issued shares of the Company from time to time.

Unless otherwise determined by the Board and specified in the grant notice, the Group and/or grantee shall achieve the performance conditions set out in the grant notice before the awarded shares can be vested.

Pursuant to the 2018 Share Award Scheme, awarded shares held by the trustee upon the trust and which are in relation 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.

On 4 April 2022, the Company granted an aggregate of 10,294,500 awarded shares to 3,707 selected employees pursuant to the 2018 Share Award Scheme. For the purpose of granting the aforesaid awarded shares pursuant to the 2018 Share Award Scheme, on 4 April 2022, the Board also resolved to allot and issue 10,294,500 new Shares to the professional trustee under the 2018 Share Award Scheme pursuant to the general mandate granted by the Shareholders at the AGM held on 7 May 2021. Such 10,294,500 new Shares were issued at HKD0.10 per Share, being the par value per Share, to the professional trustee under the 2018 Share Award Scheme on 11 April 2022. The aggregate nominal value of the new Shares was HKD1,029,450.

During the financial year, no ordinary shares (2021: Nil) in the Company were purchased from the open market by the trustee of the 2018 Share Award Scheme.

As at 31 December 2022, the trustee of the 2018 Share Award Scheme held a total of 20,752,601 (2021: 12,337,917) Shares. As at 31 December 2022, the remaining life of the 2018 Share Award Scheme is around 5.5 years, subject to any early termination as may be determined by the Board pursuant to the rules relating to the 2018 Share Award Scheme (as amended from time to time).

The awarded shares granted under the 2018 Share Award Scheme are subject to any vesting period and performance target as determined by the Board from time to time. 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 be vested 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.

# Report of the Directors

The total number of share awards available for grant under the scheme mandate of 2018 Share Award Scheme at the beginning and the end of the financial year is 259,134,982 and 251,288,552, respectively.

The details of unvested share awards under the 2018 Share Award Scheme during the financial year were as follows:

Name or category of participant	Date of grant	Vesting period	Purchase price	Number of unvested share awards						
				As at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Adjusted during the year <sup>(4)</sup>	As at 31 December 2022
<b>Director</b>										
Mr. Lai Shixian	5 November 2019	5 November 2019 to 1 May 2022	Nil	200,000	-	(200,000) <sup>(3)</sup>	-	-	-	-
	5 November 2019	5 November 2019 to 1 May 2023	Nil	200,000	-	-	-	-	(80,000)	120,000
	5 November 2019	5 November 2019 to 1 May 2024	Nil	200,000	-	-	-	-	80,000	280,000
Mr. Bi Mingwei	5 November 2019	5 November 2019 to 1 May 2022	Nil	60,000	-	(60,000) <sup>(3)</sup>	-	-	-	-
	5 November 2019	5 November 2019 to 1 May 2023	Nil	60,000	-	-	-	-	(24,000)	36,000
	5 November 2019	5 November 2019 to 1 May 2024	Nil	60,000	-	-	-	-	24,000	84,000
<b>The five highest paid individuals other than Directors during the financial year in aggregate</b>										
	5 November 2019	5 November 2019 to 1 May 2022	Nil	60,000	-	(60,000) <sup>(3)</sup>	-	-	-	-
	5 November 2019	5 November 2019 to 1 May 2023	Nil	60,000	-	-	-	-	(24,000)	36,000
	5 November 2019	5 November 2019 to 1 May 2024	Nil	60,000	-	-	-	-	24,000	84,000
	2 November 2020	2 November 2020 to 1 May 2022	Nil	60,000	-	(60,000) <sup>(3)</sup>	-	-	-	-
	2 November 2020	2 November 2020 to 1 May 2023	Nil	60,000	-	-	-	-	(24,000)	36,000
	2 November 2020	2 November 2020 to 1 May 2024	Nil	60,000	-	-	-	-	24,000	84,000
	2 November 2020	2 November 2020 to 1 May 2025	Nil	60,000	-	-	-	-	-	60,000
	1 November 2021	1 November 2021 to 1 May 2022	Nil	29,000	-	(29,000) <sup>(3)</sup>	-	-	-	-
	1 November 2021	1 November 2021 to 1 May 2023	Nil	29,000	-	-	-	-	(11,600)	17,400
	1 November 2021	1 November 2021 to 1 May 2024	Nil	29,000	-	-	-	-	11,600	40,600
	1 November 2021	1 November 2021 to 1 May 2025	Nil	29,000	-	-	-	-	-	29,000
	1 November 2021	1 November 2021 to 1 May 2026	Nil	29,000	-	-	-	-	-	29,000

Name or category of participant	Date of grant	Vesting period	Purchase price	Number of unvested share awards						
				As at 1 January 2022	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	Adjusted during the year <sup>(4)</sup>	As at 31 December 2022
<b>Employees other than above (including ex-employees in aggregate)</b>	5 November 2019	5 November 2019 to 1 May 2022	Nil	1,546,000	-	(1,275,100) <sup>(5)</sup>	(270,900)	-	-	-
	5 November 2019	5 November 2019 to 1 May 2023	Nil	1,546,000	-	-	(106,000)	-	(576,000)	864,000
	5 November 2019	5 November 2019 to 1 May 2024	Nil	1,546,000	-	-	(106,000)	-	576,000	2,016,000
	2 November 2020	2 November 2020 to 1 May 2022	Nil	118,000	-	(86,000) <sup>(5)</sup>	(32,000)	-	-	-
	2 November 2020	2 November 2020 to 1 May 2023	Nil	118,000	-	-	(30,000)	-	(35,200)	52,800
	2 November 2020	2 November 2020 to 1 May 2024	Nil	118,000	-	-	(30,000)	-	35,200	123,200
	2 November 2020	2 November 2020 to 1 May 2025	Nil	118,000	-	-	(30,000)	-	-	88,000
	1 November 2021	1 November 2021 to 1 May 2022	Nil	140,766	-	(109,716) <sup>(5)</sup>	(31,050)	-	-	-
	1 November 2021	1 November 2021 to 1 May 2023	Nil	140,766	-	-	(18,250)	-	(49,006)	73,510
	1 November 2021	1 November 2021 to 1 May 2024	Nil	140,766	-	-	(18,250)	-	49,006	171,522
	1 November 2021	1 November 2021 to 1 May 2025	Nil	140,766	-	-	(18,250)	-	-	122,516
	1 November 2021	1 November 2021 to 1 May 2026	Nil	140,771	-	-	(18,250)	-	-	122,521
	4 April 2022	4 April 2022 to 1 May 2025	Nil	-	6,176,700 <sup>(1)</sup>	-	(536,550)	-	-	5,640,150
	4 April 2022	4 April 2022 to 1 May 2027	Nil	-	4,117,800 <sup>(1)</sup>	-	(357,700)	-	-	3,760,100
	1 November 2022	1 November 2022 to 1 May 2023	Nil	-	45,249 <sup>(2)</sup>	-	(8,333)	-	(14,766)	22,150
	1 November 2022	1 November 2022 to 1 May 2024	Nil	-	45,249 <sup>(2)</sup>	-	(8,333)	-	14,766	51,682
	1 November 2022	1 November 2022 to 1 May 2025	Nil	-	45,249 <sup>(2)</sup>	-	(8,333)	-	-	36,916
	1 November 2022	1 November 2022 to 1 May 2026	Nil	-	45,249 <sup>(2)</sup>	-	(8,333)	-	-	36,916
	1 November 2022	1 November 2022 to 1 May 2027	Nil	-	45,249 <sup>(2)</sup>	-	(8,333)	-	-	36,916
	<b>Total</b>				<b>7,158,835</b>	<b>10,520,745</b>	<b>(1,879,816)</b>	<b>(1,644,865)</b>	<b>-</b>	<b>-</b>

# Report of the Directors

Notes:

- (1) *The awarded shares are subject to certain performance targets with reference to the annual results of the Company and the selected employees' individual key performance indicators for the financial year preceding the respective vesting dates. The closing price of the Shares immediately before the date on which the awarded shares were granted during the financial year was HKD97.30.*
- (2) *The awarded shares are subject to certain performance targets with reference to the annual results of the Company and the selected employees' individual key performance indicators for the financial year preceding the respective vesting dates. The closing price of the Shares immediately before the date on which the awarded shares were granted during the financial year was HKD69.00.*
- (3) *The weighted average closing price of the Shares immediately before the dates on which the awarded shares were vested during the financial year was HKD91.85.*
- (4) *In December 2022, the Company entered into supplemental agreements with certain grantees to modify the vesting schedule and certain non-market performance conditions under the original grant notices.*

The fair values per awarded share granted on 4 April 2022 and 1 November 2022 were HKD98.50 and HKD73.40 respectively, which were measured based on the market price of the Company's shares at the respective grant dates. No expected dividends were incorporated into the measurement of fair value. Information on the accounting policy for the grant of awarded shares is provided in the accounting policy (T)(ii) on page 197.

The total number of new Shares available for issue under the 2018 Share Award Scheme utilising the general mandate granted by the Shareholders at the annual general meeting on 11 May 2022 is 251,459,552, representing approximately 9.27% of the issued Shares, as at the date of this annual report.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the financial year divided by weighted average number of Shares in issue for the financial year is 0.39%.

## Corporate Governance

For the year ended 31 December 2022, save as disclosed in the Corporate Governance Report on pages 77 to 131 of this annual report, all the code provisions set out in the CG Code were met by the Company.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and to 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 2022 and at any time up to the latest practicable date.

## Tax Relief and Exemption

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

## 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 SAR, 21 March 2023

# Corporate Governance Report

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 including risk management and internal control, fair disclosure and accountability to all Shareholders.

Save as disclosed below, the Company has complied with the code provisions of the CG Code during the financial year. The Company regularly reviews its corporate governance practices to ensure its continuous compliance.

## (A) Board and Board Committees

The Board is collectively responsible for the Company's management, operations and decisions.

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, risk management and internal control systems, and monitoring of the performance of management team. All Directors are subject to the same legal duties under all applicable laws and the Listing Rules. They are required, in the performance of their duties as directors, to act honestly and in good faith in the interests of the Company as a whole, avoid actual and potential conflicts of interest and duty, apply reasonable care and diligence, and make decisions objectively in the best interests of the Company. Currently, the Board comprises 10 Directors, including 6 Executive Directors and 4 Independent Non-Executive Directors, and the composition of the Board and the Board Committees are as follows:

### Executive Directors

Mr. Ding Shizhong (*Chairman*)  
Mr. Ding Shijia (*Deputy Chairman*)  
Mr. Lai Shixian (*Co-Chief Executive Officer*)  
Mr. Wu Yonghua (*Co-Chief Executive Officer*)  
Mr. Zheng Jie  
Mr. Bi Mingwei (*Chief Financial Officer*)

### Independent Non-Executive Directors

Mr. Yiu Kin Wah Stephen *JP*  
Mr. Lai Hin Wing Henry Stephen  
Ms. Wang Jiaqian  
Ms. Xia Lian (appointment effective from 1 July 2022)

### Audit Committee

Mr. Yiu Kin Wah Stephen (*committee chairman*) (*Independent Non-Executive Director*)  
Mr. Lai Hin Wing Henry Stephen (*Independent Non-Executive Director*)  
Ms. Wang Jiaqian (*Independent Non-Executive Director*)  
Ms. Xia Lian (*Independent Non-Executive Director*)

### Remuneration Committee

Mr. Lai Hin Wing Henry Stephen (*committee chairman*) (*Independent Non-Executive Director*)  
Ms. Wang Jiaqian (*Independent Non-Executive Director*)  
Ms. Xia Lian (*Independent Non-Executive Director*)  
Mr. Ding Shizhong (*Executive Director*)

# Corporate Governance Report

## *Nomination Committee*

Mr. Lai Hin Wing Henry Stephen (*committee chairman*) (*Independent Non-Executive Director*)  
Mr. Yiu Kin Wah Stephen (*Independent Non-Executive Director*)  
Mr. Lai Shixian (*Executive Director*)

## *Risk Management Committee*

Mr. Yiu Kin Wah Stephen (*committee chairman*) (*Independent Non-Executive Director*)  
Ms. Wang Jiaqian (*Independent Non-Executive Director*)  
Ms. Xia Lian (*Independent Non-Executive Director*)  
Mr. Lai Shixian (*Executive Director*)

## *Sustainability Committee*

Mr. Lai Shixian (*committee chairman*) (*Executive Director*)  
Mr. Yiu Kin Wah Stephen (*Independent Non-Executive Director*)  
Mr. Lai Hin Wing Henry Stephen (*Independent Non-Executive Director*)  
Ms. Wang Jiaqian (*Independent Non-Executive Director*)  
Ms. Xia Lian (*Independent Non-Executive Director*)  
Mr. Wu Yonghua (*Executive Director*)  
Mr. Zheng Jie (*Executive Director*)  
Mr. Yiu Wai Hung\*

\* *non-Board member*

The Board contains a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. The Board includes a balanced composition of Executive Directors and Non-Executive Directors (including Independent Non-Executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. Board practice is in place so that any changes to the Board composition (if any) can be managed without undue disruption.

Mr. Wang Wenmo tendered his resignation as a Non-Executive Director with effect from 1 July 2022 due to the need to focus on his other personal businesses. Mr. Wang confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the Shareholders or the Hong Kong Stock Exchange. The Board expressed its sincere gratitude to Mr. Wang for his invaluable contributions to the Company during the tenure of his service as a Director.

Mr. Dai Zhongchuan tendered his resignation as an Independent Non-Executive Director with effect from 1 July 2022 due to the need to focus on his other personal businesses. Mr. Dai confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needed to be brought to the attention of the Shareholders or the Hong Kong Stock Exchange. The Board expressed its sincere gratitude to Mr. Dai for his invaluable contributions to the Company during the tenure of his service as a Director.

Ms. Xia Lian was appointed as an Independent Non-Executive Director by the Board to fill a casual vacancy with effect from 1 July 2022. She holds a bachelor's degree in marketing from the Peking University in China and a master's degree in executive master in change from European Institute of Business Administration (INSEAD). She is currently an executive director and the general manager of Vista Education Technology (Shenzhen) Co., Ltd.<sup>#</sup> (遠見教育科技(深圳)有限公司) and a director of China Publishing Group Kunlun Media Co. Ltd.<sup>#</sup> (中版昆侖傳媒有限公司), and has over 20 years of experience in business administration and business consultancy. She was employed by Cheung Kong Graduate School of Business from April 2007 to August 2020 with her last position as an assistant dean. Ms. Xia is an independent director of Shanying International Holding Co., Ltd.\* (山鷹國際控股股份有限公司) (stock code: 600567) listed on Shanghai Stock Exchange.

<sup>#</sup> *The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

In considering the appointment of Ms. Xia, the Board, with assistance and recommendation from Nomination Committee, reviewed the structure, size, composition and diversity of the Board from a number of aspects, including but not limited to the professional experience, skills and expertise, that Ms. Xia could bring. In respect of the Independent Non-Executive Director appointment of Ms. Xia, the Board reviewed the qualification and assessed the independence (including the requirements under Rule 3.13 of the Listing Rules) of Ms. Xia, and the Board was not aware of any circumstance that might influence Ms. Xia in exercising independent judgment, and is satisfied that she has the required character, integrity, independence and experience to fulfill the role of Independent Non-Executive Director and she would be able to maintain an independent view of the Group's affairs.

Ms. Xia was appointed by way of a letter of appointment with a term of three years. In accordance with article 83 of the Company's articles of association, her appointment shall be subject to retirement and shall be eligible for re-election at the first AGM after her appointment.

Directors' biographical details and relationships between the Directors (if any) are set out in the section entitled "Directors, Company Secretary and Senior Management" in this annual report.

### **The Board's Roles and Responsibilities**

The Board is collectively responsible for long-term success of the Group and interests of Shareholders. Under the leadership of the Chairman, the Board actively promotes the success of the Group by directing and supervising its affairs in a responsible and effective manner. The principal responsibilities of the Board include, but are not limited to, the following:

- formulating the Group's mission, vision and core values;
- establishing and promoting the Group's corporate culture;
- formulating, updating and refining the Group's strategy and business objectives;
- reviewing and approving the Group's business plan;
- monitoring and evaluating the management in driving the Group's businesses against plan and budget;
- approving any major acquisitions and disposals, formation of joint ventures and capital transactions, and any other transactions in accordance with the Listing Rules and other regulations;
- overseeing the management of the Group's relationships with stakeholders;
- ensuring the effective communication with the shareholders of the Company;
- ensuring appropriate and adequate disclosure and reporting in corporate communication documents including announcements and annual reports;
- reviewing the policies and monitoring the implementations in relation to corporate governance, internal controls, risk management and sustainability practices;
- approving the Group's quarterly, interim and annual financial statements, applicable results announcements and any other related documents;
- considering the distributions of ordinary and special dividends (if any);

# Corporate Governance Report

- providing all Board Committees with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary; and
- evaluating the performances of the Board and the Board Committees annually.

## Executive Directors and Management's Roles and Responsibilities

The Executive Directors are involved in the day-to-day operations of the Group's businesses. Being members of the Company's senior management, they ensure that the management is accountable to the Board, and ultimately to the Shareholders. The Executive Directors also seek advice from and work closely with the Non-Executive Director and the Independent Non-Executive Directors. The principal responsibilities of the Executive Directors and management include, but are not limited to, the following:

- implementing the Company's strategies and objectives including assessing and identifying trends and development, for the Company;
- analysing the global macro economy and local market situation;
- conducting day-to-day management of the Group's businesses operation;
- achieving budget, plan and targets set by the Board;
- designing, implementing and maintaining appropriate and effective risk management and internal control systems;
- monitoring risks and takes measures to mitigate risks in day-to-day operations;
- monitoring and assessing the performance of each brand and function under the Group;
- providing input to and reviewing the business planning and budget; and
- analysing various matters, such as products lines, sales channels and supply chain, in different dimensions for the Group's businesses operation.

## Delegation by the Board

In addition to the individual Board Committees established to assist the full Board in specific areas as discussed below, the responsibilities for implementing the Company's strategies and objectives, and day-to-day management of the Group's business operations are delegated to the Executive Directors and management team. The Board does not delegate matters to Executive Directors or management team to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions. The Company formalises the functions reserved to the Board and those delegated to management, and management are aware of the matters needed to report back and obtain prior Board approval before making decisions or entering into any commitments on the Group's behalf. The Board would review those arrangements from time to time to ensure that they remain appropriate to the Group's needs.

## Chairman and CEO

Chairman provides leadership for the Board and takes the lead to ensure the Board acts in the best interests of the Company. The responsibilities of Chairman comprise, but are not limited to, the following:

- ensuring that the Board works effectively and performs its responsibilities;
- ensuring and overseeing sound corporate governance practices and procedures;

- enhancing effective communication with Shareholders and ensure the views of Shareholders are communicated to the Board as a whole;
- encouraging all Directors to make full and active contributions to the Board's affairs;
- facilitating the effective contribution of Non-Executive Directors (including Independent Non-Executive Directors) in particular and ensuring constructive relations between Executive Directors and Non-Executive Directors (including Independent Non-Executive Directors);
- ensuring all Directors are properly briefed on issues arising at Board meetings and always receive timely, accurate, reliable and complete information;
- ensuring sufficient time for discussion of issues among Directors; and
- ensuring that Board decision fairly reflect Board consensus.

CEO takes the lead of the Group's entire management team and reports to the Board on behalf of the management. The responsibilities of CEO comprise, but are not limited to, the following:

- leading and supervising the management team in the Group's daily operations;
- executing the Company's strategic initiatives determined by the Board from time to time;
- reporting on business operation, financial performance and strategic matters and providing key updates to the Board regularly;
- enhancing the Group's existing brand portfolio;
- facilitating the integration of different functions among the Group to unlock the potential synergies; and
- seeking for potential acquisition and investment opportunities.

Under code provision C.2.1 of the CG Code, the roles of the Chairman and the CEO should be separated and should not be performed by the same individual. During the financial year, the roles of the Chairman and the CEO were 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 CEO 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 management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 6 Executive Directors and 4 Independent Non-Executive Directors and therefore has a strong independence element in its composition.

### **Change in the Executive Directors' Management Responsibilities**

To align the Group's management structure with its strategic directions and to enhance the Group's corporate governance, the following changes in the Executive Directors' management responsibilities have taken effect from 1 February 2023:

- Mr. Ding Shizhong retired from the role as the CEO and remain as the Chairman. He continues to play a core leadership role in the Group's corporate strategy, talent build-up, corporate culture and operational supervision, and directly oversees the Group's internal audit and supervision functions as well as mergers and acquisitions initiatives;
- Mr. Ding Shijia continues to oversee the Group's manufacturing operation, and ceased to oversee the Group's supply chain management;

# Corporate Governance Report

- Mr. Zheng Jie remains as an Executive Director and retired from the roles as Group President and the chief executive officer of the Outdoor Sports Group. He continues with his role as the chief executive officer of Amer Sports and be primarily responsible for Amer Sports related business;
- Mr. Lai Shixian has been appointed as the Co-CEO, and retired from the role as the CFO. He is in charge of ANTA brand, all other brands except FILA brand, group procurement and a number of the Group's functions including human resources, legal, investor relations and administration;
- Mr. Wu Yonghua has been appointed as the Co-CEO, and retired from the role as the chief executive officer of the Performance Sports Group. He is in charge of FILA brand, the Group's international businesses and a number of the Group's functions including retail channel management and public relations; and
- Mr. Bi Mingwei has been appointed as the CFO. He is primarily responsible for the Group's financial management functions and a number of middle-and-back-office functions including business process management and logistics management.

The Board believes that the above changes (i) facilitate the implementation of the Group's "multi-brand" and "globalisation" strategies; (ii) enhance the Group's corporate governance by performing the roles of Chairman and CEO through separate management personnel; and (iii) enhance management efficiency and the Group's talent development.

The above changes improve the Group's corporate governance structure, and is in line with the governance models of large-scale international enterprises and the code provision C.2.1 of the CG Code.

Other than the changes set out above, the composition of the Board and the designations of each respective Executive Director and Independent Non-Executive Director remain unchanged.

For details please refer to the announcement of the Company dated 18 January 2023.

Since 1 February 2023, given the above changes, the Company has complied with all the code provisions, including code provision C.2.1, of the CG Code.

## Compliance with the Code for Securities Transactions for Directors' Securities Transactions

The Company has established written guideline no less exacting than the Model Code for the Directors in respect of their dealings in the Company's securities ("Code for Securities Transactions"). Our management's dealings in the Company's securities are also subject to the Code for Securities Transactions for those who have access to potential inside information, and are recorded in the register under the Code of Securities Transactions. The Company has further made specific enquiries to all the Directors and they have confirmed their compliance with the required standards set out in the Code for Securities Transactions regarding the Directors' securities transactions during the financial year. During the financial year, no incident of non-compliance with the Code of Securities Transactions was noted by the Company.

## Directors' and Officers' Insurance

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding offices as the Directors and officers of the Group. The Directors and officers shall not be indemnified where there is any negligence, fraud, breach of duty or breach of trust proven against them.

### **Appointments, Retirement and Re-election of Directors**

A formal, considered and transparent procedure for the appointment of new Directors is in place. Appointment of Directors is recommended by Nomination Committee for approval of the Board. Candidates should be aware that they must be able to contribute sufficient time and attention to the affairs of the Company before accepting their appointment. Each newly appointed Director would receive a formal, comprehensive and tailored orientation, which details the duties and responsibilities of Directors under the Listing Rules, the Company's constitutional documents and other related ordinances and relevant regulatory requirements. Presentations by internal management and external professionals (where necessary) would also be provided to ensure a proper understanding of the Company's business and operations and governance policies.

Each of the Executive Directors and Non-Executive Directors (including Independent Non-Executive Directors) has entered into a service contract with the Company for a specific term. The existing articles of association of the Company provides that any Director appointed by the Board to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the first AGM after his appointment and shall then be eligible for re-election. Also, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. When an Independent Non-Executive Director proposed for re-election has served for more than nine years, his re-election would be subject to a separate resolution to be approved at the AGM.

For details of re-election of Directors at the forthcoming AGM, please refer to the section entitled "Directors" in the Report of the Directors of this annual report.

### **Directorship Commitments**

The Board is satisfied that the Directors had a strong commitment to the Company and positively contributed to the Board through their participation in the Company's affairs and the Board's discussions and decisions, as reflected in their high attendance record on the Board and its Committee meetings during the financial year. All of the Directors have provided annual confirmations and made disclosures about their other appointments, the number and nature of offices held in public companies or organisations and other significant commitments.

### **Non-Executive Directors**

Non-Executive Directors (including Independent Non-Executive Directors) may be industry practitioners or experts in the Group's business, or have other skills and experience in other areas which enhancing the Board members' balance of skills, experience and diversity of perspectives. As Board members with equivalent role, Non-Executive Directors (including Independent Non-Executive Directors) give the Board and any Board Committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Non-Executive Directors (including Independent Non-Executive Directors) can make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

The responsibilities of Non-Executive Directors comprise, but are not limited to, the following:

- participating in Board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise for other Directors;
- serving on the Board Committees, if invited; and
- scrutinising the Group's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

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

# Corporate Governance Report

## 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 the 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. Nomination Committee has assessed the independence of all the Independent Non-Executive Directors, and the Board and Nomination Committee consider that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

Currently, none of the Independent Non-Executive Directors, individually, held directorships in seven or more listed public companies (including the Company) or has served for more than nine years.

During the financial year, the Chairman held a meeting with all the Independent Non-Executive Directors (without the presence of other Directors), matters to discuss including:

- competitiveness analysis on the Group's outlook and strategy;
- overall consumer sector's performance;
- joint venture's recent development;
- brand strategy;
- risk management; and
- other matters that the Independent Non-Executive Directors may have concerned.

## Mechanisms to Ensure Independent Views and Input are Available to the Board

The Company has put in place mechanisms to ensure independent views and input are available to the Board, including but not limited to the following:

- Board and Board Committees meetings:  
Non-Executive Directors (including Independent Non-Executive Directors) participate in the Board and/or Board Committee meetings (including meetings of Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and Sustainability Committee) to bring independent views, advice and judgment on important issues relating to the Company (including strategy, policy, performance, accountability, resources, key appointments and standards of conduct), and take the lead on matters where potential conflicts of interests arise;
- Board and Board Committees evaluation:  
The Board and Board Committees conduct annual evaluations of their respective effectiveness and performance in the form of questionnaire. Non-Executive Directors (including Independent Non-Executive Directors) have been providing objective and independent feedbacks to the Board by participating in the annual evaluations of the Board and Board Committees;

- Annual review of Independent Non-Executive Directors' independence:

Nomination Committee assesses the independence of all Independent Non-Executive Directors annually in accordance with the requirements of the Listing Rules; and

- Further review of long-serving Independent Non-Executive Directors:

In respect of any Independent Non-Executive Directors having served for more than nine years, Nomination Committee further assesses his role as an Independent Non-Executive Director, taking into account factors including but not limited to his reputation for integrity, experience, ability to assist the Board, perspectives and skills, and commitment while having due regard to the board diversity policy of the Company.

The Board has reviewed the implementation and effectiveness of the above mechanisms on an annual basis and is of the view that such mechanisms was implemented effectively during the financial year.

### **Director Nomination Policy**

The Company has adopted a director nomination policy to ensure that the Board has a balance of skills, experience and diversity of perspective relevant to the Group's business. Nomination Committee shall nominate suitable candidates to the Board for it to (i) consider and make recommendations to the Shareholders for election of Directors at general meetings or (ii) appoint as Directors by the Board to fill casual vacancies or as additions to the existing Board.

Nomination Committee may nominate such number of candidates as it considers appropriate to (i) be appointed or re-appointed as Directors at a general meeting, or (ii) fill the casual vacancies or otherwise serve as new members of the existing Board. However, the ultimate responsibility for selection, recommendation and appointment of Directors shall rest with the entire Board.

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

- integrity;
- qualification and experience in sportswear industry and/or business strategy, management, legal and financial aspects;
- ability to assist the Board in effective performance of its responsibilities;
- the perspectives and skills that the proposed candidate is expected to bring to the Board;
- commitment in respect of available time and relevant interest;
- 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; and
- 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. Nomination Committee has the discretion to nominate any person, as it considers appropriate.

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The secretary of Nomination Committee shall call a meeting and invite nominations of candidates from Board members (if any) for consideration by Nomination Committee prior to its meeting. Alternatively, such nomination may be approved by Nomination Committee by way of written resolutions. For filling a casual vacancy or addition to the existing Board, Nomination Committee shall recommend candidate(s) for the Board's consideration and approval. For proposing candidates to stand for election of Directors at a general meeting, Nomination Committee shall make nominations to the Board for its consideration and recommendation. Subject to and pursuant to the existing articles of association of the Company, any one or more Shareholders can serve a notice of its intention to propose a resolution to elect certain person (other than the Shareholders serving such notice) as a Director, without the Board's recommendation or Nomination Committee's nomination (details of which are set out in the section entitled "(F) Shareholders' Rights, Communications with Shareholders and Investor Relations" below).

The re-appointment of a long serving Independent Non-Executive Director (e.g. an Independent Non-Executive Director who has continuously served for more than nine years) at AGM of the Company shall be subject to any other requirements that may be required by the Listing Rules from time to time.

Nomination Committee would regularly review the implementation and effectiveness of the director nomination policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and would also discuss and consider any revisions that may be required.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

## Board Diversity Policy

The Company adopted a board diversity policy in accordance with the requirement set out in the CG Code. The policy aims to set out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to broaden its view and enhance the quality of its performance. All Board appointments will be based on meritocracy, and candidates shall be considered against objective criteria, having due regard for the benefits of diversity on the Board. Diversity on the Board can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. In designing the Board's composition, the Company will also take into account factors based on its own business model and specific needs from time to time.

Selection of candidates will 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 will be based on merit and contribution that the selected candidates will bring to the Board.

Directors are from diverse and complementary backgrounds. Their valuable experience and expertise are critical for the long-term growth of the Company. The current Board's composition under diversified perspectives is summarised as follows:

Name	Mr. Ding Shizhong	Mr. Ding Shijia	Mr. Lai Shixian	Mr. Wu Yonghua	Mr. Zheng Jie	Mr. Bi Mingwei	Mr. Yiu Kin Wah Stephen	Mr. Lai Hin Wing Henry Stephen	Ms. Wang Jiaqian	Ms. Xia Lian
<b>Gender</b>	Male	Male	Male	Male	Male	Male	Male	Male	Female	Female
<b>Age</b>	52	58	48	52	54	50	62	66	44	44
<b>Length of service of the Board</b> (up to 31 December 2022)	15 years	15 years	15 years	15 years	13 years	1.5 year	4.5 years	2 years	1.5 year	0.5 year
(a) Accounting & finance			✓			✓	✓			
(b) Business development	✓			✓	✓				✓	✓
(c) Brand management	✓			✓	✓				✓	
(d) Capital market			✓				✓	✓		
(e) Corporate responsibility/ sustainability	✓		✓	✓	✓	✓	✓	✓	✓	✓
(f) Corporate strategy and planning	✓				✓	✓			✓	✓
(g) Executive management and leadership skills	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Skills, knowledge &amp; professional experience</b>										
(h) Informational management			✓			✓				
(i) Investor relations			✓							
(j) Legal			✓					✓		
(k) Manufacturing		✓								
(l) Other listed board experience/role			✓				✓	✓		✓
(m) Operational management	✓	✓	✓	✓	✓	✓				
(n) Risk management			✓			✓	✓		✓	✓
(o) Sales and marketing	✓			✓	✓					
(p) Supply chain management		✓	✓			✓				
(q) Treasury management			✓							

Nomination Committee would annually review the implementation and effectiveness of the board diversity policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and would also discuss and consider any revisions that may be required.

Nomination Committee has conducted the annual review of the Board composition and the implementation and effectiveness of the board diversity policy. Based on different measurable objectives on board diversity, including but not limited to, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, Nomination Committee considered that board diversity has been achieved since 2021. In particular, after the appointment of each of Ms. Wang Jiaqian and Ms. Xia Lian as an Independent Non-Executive Director on 1 July 2021 and 1 July 2022, respectively, the Board is no longer a single gender board. Nomination Committee (and the Board) recognises the importance and benefits of gender diversity at the Board level, and shall continue to take initiatives to identify more female candidate(s) to further enhance the gender diversity among the Board members with a target of 30% women in the Board by the end of 2030. Nomination Committee concluded that the policy was implemented effectively during the financial year.

The Board also recognises the importance of diversity in the workforce (including senior management). The Group employs our staff based on meritocracy and we respect our staff's personal choices, regardless of gender, age, religion, nationality etc. Currently only the Executive Directors, the Co-CEOs and the CFO are regarded as members of the Group's senior management, which makes achieving gender diversity at senior management level more challenging. The Group will continue to make ways in achieving gender diversity in the workforce (including senior management) with a target of over 40% women in the director level and above by the end of 2030.

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The gender ratio in the Group's workforce (including senior management) as at 31 December 2022 are as follows:

Overall male to female ratio Male 24.9%; Female 75.1%

By rank and gender:

Office staff:

President level (including senior management)	Male 76.9%; Female 23.1%
Director level	Male 63.1%; Female 36.9%
Manager level	Male 47.3%; Female 52.7%
Officers and others	Male 18.6%; Female 81.4%
Production staff	Male 38.8%; Female 61.2%

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

## Remuneration of Directors and Senior Management

The Company has adopted a directors and senior management remuneration policy to maintain fair and competitive packages of the Directors and senior management based on the business needs of the Group and industry practice. For determining the remuneration packages of each Director and senior management, market rates and factors such as individual workload, duties and required commitment are taken into account (including their individual performance or the performance of the respective department(s) and business unit(s) that they are in charge (including the aspect of sustainability)). In addition, factors comprising economic and market situations, individual contributions to the Group's results and development (including the aspect of sustainability) as well as individual's potential are considered when determining the remuneration packages of Directors and senior management. At the same time, remuneration levels shall be sufficient to attract and retain Directors and senior management to run the Group successfully without paying more than necessary.

The Company has adopted the model ascribed in code provision E.1.2(c) of the CG Code, whereby Remuneration Committee determines, with the 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 remuneration packages of Non-Executive Directors (including Independent Non-Executive Directors).

Annual discretionary bonus of Executive Directors and senior management shall be determined with reference to the performance of the respective department(s) and business unit(s) that they are in charge of (including but not limited to key performance indicators) and their individual performance, and shall be approved by Remuneration Committee.

Remuneration Committee shall approve equity-based remuneration on the individual performance and business objectives of Executive Directors and senior management with the goal of maximising long-term shareholder value, and grant stock options and share awards in accordance with the Company's share option schemes and share award schemes as appropriate.

No Director takes part in any discussion of his own remuneration. Directors would abstain from voting in the resolutions in relation to their individual remuneration in relevant Board or Remuneration Committee meetings.

In respect of discretionary bonus and equity-share based remuneration of Executive Directors and senior management, to the extent permitted by applicable laws and regulations, the Company may recover and adjust the previous remuneration provided within three years. The committee would review the facts and circumstances that led to the clawback and the costs and benefits of seeking recovery and would determine, in its discretion, the amount to be sought for recovery from such Executive Director or senior management. The Company may offset the recovery amount against current or future remuneration and through cancellation of unvested or vested equity-based remuneration.

Currently only the Executive Directors, the Co-CEOs and the CFO are currently regarded as members of the Group's senior management.

Remuneration Committee would regularly review the implementation and effectiveness of the directors and senior management remuneration policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and would also discuss and consider any revisions that may be required.

During the financial year, Remuneration Committee has conducted the review of the implementation and effectiveness of the directors and senior management remuneration policy, and concluded that the policy was implemented effectively.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

Particulars regarding Directors' remuneration and the five highest paid individuals as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 6 and 7 to the financial statements.

### Training and Support for Directors

Directors should keep abreast of the latest developments in various areas, including laws and regulations, the Listing Rules, as well as industry update to discharge their duties and responsibilities for the benefit of the Company. Each newly appointed Director would receive an induction covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Company also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Company is responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Directors. The Company 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.

Directors have provided records of the training they received during the financial year, and they have participated in the following training:

Directors	Reading materials in relation to legal, regulatory & industry updates	Briefing and updates on business and operation	Training/ Seminars	Other professional developments
<i>Executive Directors</i>				
Mr. Ding Shizhong	✓	✓	✓	✓
Mr. Ding Shijia	✓	✓	✓	✓
Mr. Lai Shixian	✓	✓	✓	✓
Mr. Wu Yonghua	✓	✓	✓	✓
Mr. Zheng Jie	✓	✓	✓	✓
Mr. Bi Mingwei	✓	✓	✓	✓
<i>Non-Executive Director</i>				
Mr. Wang Wenmo (resignation with effect from 1 July 2022)	✓	✓	✓	
<i>Independent Non-Executive Directors</i>				
Mr. Dai Zhongchuan (resignation with effect from 1 July 2022)	✓	✓	✓	✓
Mr. Yiu Kin Wah Stephen	✓	✓	✓	✓
Mr. Lai Hin Wing Henry Stephen	✓	✓	✓	✓
Ms. Wang Jiaqian	✓	✓	✓	✓
Ms. Xia Lian (appointment with effect from 1 July 2022)	✓	✓	✓	✓

### Board Committees

The Board has established Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and Sustainability Committee (collectively "Board Committees") with defined terms of reference. The terms of reference of the Board Committees are posted on the website of the Company ([ir.anta.com](http://ir.anta.com)) and the HKEXnews website of Hong Kong Exchange and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

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Before a committee meeting starts, all members of the committee shall declare their interests (including the interests of their associates) in respect of the matters to be discussed and/or the resolutions to be approved during the meeting in accordance with the articles of association of the Company and/or the Listing Rules. In case a member of the committee (or his associate) has a material interest in a matter to be discussed and/or a resolution to be approved during a meeting, other members of the committee, for the purpose of avoidance of conflict of interests, shall consider and decide if the member shall abstain from voting in the resolutions and/or be absent from the meeting.

The Board Committees are provided with sufficient resources to perform their duties and are able to seek, at the Company's expenses, independent professional advice as necessary. The committees are able to invite relevant personnel within the Group to attend meetings, and to obtain any information that they require from any other committees and/or departments, if they consider necessary, in order to perform their duties. The committees may invite external advisers with relevant experience and expertise to participate and attend committee meetings as and when necessary, and they can review and approve the advisory fees and other terms of engagement of the external advisers.

Full details of the committees' work are disclosed in the relevant sections for each of the Board Committees.

## *Audit Committee*

Audit Committee is responsible for monitoring the integrity of the Group's financial statements, annual and interim reports and focus on the Group's financial reporting integrity, ensuring the compliance with the applicable accounting principles and practices for a balanced, clear and comprehensible assessment of the Group's performance, position and prospects, and ensuring the compliance with any applicable laws and the listing rules of the stock exchange on which the shares of the Company are listed. The committee maintains an appropriate relationship with the Company's external auditor, and makes recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal.

Audit Committee meets regularly with the Company's external auditor to discuss the audit process and accounting issues. The committee meets with the external auditor without management members present at least once a year to discuss any issues arising from the audit and any other matters the external auditor may wish to raise. The external auditor may request for holding of meetings if they consider it necessary.

Also, to comply with the requirements under the CG Code in respect of the responsibilities for performing the corporate governance duties, the Board has delegated its responsibilities (with relevant authorities) to Audit Committee.

The terms of reference of Audit Committee are in line with the code provisions of the CG Code. The responsibilities of Audit Committee comprise, but are not limited to, the following:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and on any questions of its resignation or dismissal;
- approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- monitoring the engagements of external auditor to supply any non-audit services, and making recommendations on any related matters where action or improvement is needed;
- acting as the key representative body for overseeing the Company's relations with the external auditor;

- monitoring integrity of the Company's and the Group's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them;
- considering any significant or unusual items that are, or may need to be, reflected in the report and accounts;
- giving due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or external auditor;
- conducting an annual review of the effectiveness of the Group's processes for financial reporting and financial controls;
- ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter (if any), any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- ensuring the appropriate arrangements are in place so that employees of the Group can, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters, and ensuring the Company would make fair and independent investigation of these matters and appropriate follow-up action;
- developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and
- reviewing the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

During the financial year, Audit Committee performed, considered and/or resolved the following matters:

- reviewing and considering the annual results of the Group for the year ended 31 December 2021 for the approval by the Board;
- reviewing and considering the interim results of the Group for the 6 months ended 30 June 2022 for the approval by the Board;
- approving the external auditor's scope, plan and fees of the annual audit and the interim review;
- meeting with the external auditor and discussing their major findings in the annual audit and the interim review;
- reviewing the reports prepared by the external auditor relating to the annual audit and the interim review;
- considering the effectiveness of the external auditor, giving due consideration to the quality and contents of their reports to the committee, feedback from management and compliance with relevant regulatory, professional requirements and their independence;

# Corporate Governance Report

- considering the safeguard of external auditor's objectivity and independence in proposed engagement in respect of audit-related and permissible non-audit services;
- considering recommendation of the re-appointment of external auditor for Shareholders' approval in AGM;
- meeting with external auditor in the absence of management to discuss matters relating to audit fees, issues arising from audit and other matters the auditor raised;
- reviewing the adequacy of the resources, staff qualification and experience, training programmes and budget of those relating to Group's accounting and financial reporting function for the financial year;
- determining and reviewing the Company's current corporate governance policy and practice;
- reviewing the Company's compliance with the CG Code and other legal and regulatory requirements; and
- reviewing the disclosure in the Corporate Governance Report.

## *Remuneration Committee*

Remuneration Committee is responsible for making recommendations to the Board on the policy and structure for remuneration of all Directors and senior management of the Group and other matters relating to remuneration, for the purpose of motivating, retaining and attracting the best talent for the Group in order to maximise shareholder value. The remuneration of all Directors is subject to regular monitoring by Remuneration Committee to ensure that their remuneration and compensation are reasonable.

In carrying out its duties, the committee would: (i) ensure the packages are sufficient to attract, retain and motivate Directors and senior management to run the Company successfully without paying more than necessary; (ii) be sensitive to the wider scene, including pay and employment conditions elsewhere, especially when determining annual salary increases; (iii) ensure that the remuneration package of Executive Directors and senior management are designed to align their interest with those of Shareholders and to give them keen incentives to perform at the highest levels; and (iv) ensure that share options and share awards (if any) are offered in accordance with the Listing Rules.

Also, the committee considers all aspects of remuneration, including: (i) salaries paid by comparable listed companies, time commitment and responsibilities and employment conditions of other positions in the Group; (ii) appointment and termination terms for the Directors and the senior management to ensure they are fair; (iii) compensation arrangements relating to dismissal or removal of the Directors for misconduct to ensure they are reasonable and appropriate; (iv) corporate culture and other non-financial key performance indicators; and (v) whether the remuneration package for an Independent Non-Executive Director may affect his objectivity and independence.

Remuneration Committee consults the Chairman and/or the CEO (or Co-CEOs (as applicable)) about their remuneration proposals for other Executive Directors, and accesses to independent professional advice if necessary.

The terms of reference of Remuneration Committee are in line with the code provisions of the CG Code. The responsibilities of Remuneration Committee comprise, but are not limited to, the following:

- making recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determining, with delegation from the Board, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

- making recommendations to the Board on the remuneration of Non-Executive Directors (including Independent Non-Executive Directors);
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and the Company's objectives approved by the Board from time to time;
- reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms;
- ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- reviewing and/or approving any remuneration matters relating to share schemes (including share option scheme and share award scheme) involving new or existing shares of the Company or its subsidiaries, and any other matters relating to share schemes under Chapter 17 of the Listing Rules.

During the financial year, Remuneration Committee performed, considered and/or resolved the following matters:

- reviewing the existing policy and structure for remuneration of all Directors and senior management of the Group;
- assessing the performance and reviewing the remuneration packages of the Executive Directors and senior management for financial year 2021;
- approving the discretionary bonuses of Mr. Ding Shizhong, Mr. Zheng Jie and Mr. Bi Mingwei for financial year 2021;
- reviewing and approving the management's remuneration proposals for the financial year;
- reviewing and making recommendation to the Board on the remuneration of Non-Executive Directors (including Independent Non-Executive Directors);
- approving the remuneration packages of Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wu Yonghua in respect of the renewal of their service agreements as Executive Directors;
- making recommendation on the remuneration of Mr. Wang Wenmo in respect of the renewal of his letter of appointment as a Non-Executive Director to the Board for approval;
- approving the new remuneration package of Mr. Bi Mingwei as an Executive Director;
- making recommendation on the remuneration of Ms. Xia Lian in respect of the new appointment as an Independent Non-Executive Director to the Board for approval; and
- approving the grants of an aggregate of 10,520,745 awarded shares to the Group's employees under the 2018 Share Award Scheme.

# Corporate Governance Report

## *Nomination Committee*

Nomination Committee is responsible for 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. The committee evaluates and assesses the optimal composition of the Board, taking into account the Company's culture, strategies and objectives. In identifying suitable candidates, Nomination Committee considers candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board (details of which are set out in the section entitled "Director Nomination Policy" above). Nomination Committee also reviews the structure, size and composition of the Board (details of which are set out in the section entitled "Board Diversity Policy" above) and assesses the independence of the Independent Non-Executive Directors (details of which are set out in the section entitled "Independent Non-Executive Directors" above).

The terms of reference of Nomination Committee are in line with the code provisions of the CG Code. The responsibilities of Nomination Committee comprise, but are not limited to, the following:

- identifying and nominating individuals suitably qualified to become Board members and making recommendations to the Board on the selection of individuals nominated for directorships when it is necessary to increase the number of Directors or to fill the Board vacancy, and the assessment criteria is whether the candidate is able to assist the Board in effective performance of the responsibilities;
- reviewing the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- reviewing the implementation of the board diversity policy of the Company and the measurable objectives that the Board has set for implementing the policy, and the progress on achieving the objectives, regularly;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular Chairman and the CEO; and
- assessing the independence of Independent Non-Executive Directors and reviewing the annual confirmations on their independence.

During the financial year, Nomination Committee performed, considered and/or resolved the following matters:

- conducting the annual review on the structure, size and diversity of the Board;
- reviewing the existing director nomination policy and board diversity policy of the Company, and the implementations;
- assessing the independence of Independent Non-Executive Directors and review of the annual confirmations on their independence;
- reviewing the re-appointment of Directors who retired from office at the past AGM in accordance with the Company's articles of association and offered themselves for re-election;
- approving the renewal of Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wu Yonghua's service agreements as Executive Directors;
- approving the renewal of Mr. Wang Wenmo's letter of appointment as a Non-Executive Director; and
- making recommendation on the appointment of Ms. Xia Lian as an Independent Non-Executive Director to the Board for approval.

### *Risk Management Committee*

Risk Management Committee, being delegated (with relevant authorities) by the Board, is responsible for assisting the Board (i) to evaluate and determine the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives; (ii) to ensure that the Group has established and maintained appropriate and effective risk management and internal control systems; and (iii) to oversee management in the design, implementation and monitoring of the risk management and internal control systems.

The responsibilities of Risk Management Committee comprise, but are not limited to, the following:

- overseeing the Group's risk management and internal control systems on an ongoing basis;
- conducting an annual review of the effectiveness of the Group's risk management and internal control systems;
- ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's, internal audit function during the annual review;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty of establishing effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring co-ordination between the internal audit department and external auditor, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring its effectiveness;
- reviewing the regular reports by the internal audit department, including any findings of substantial contract review and non-compliance or irregularity matters;
- advising the Board on the Group's risk management principle and other risk related matters (including corporate actions and suggested strategic transactions, such as business combinations, acquisitions and disposals, substantial investments, and notifiable transactions as defined under the Listing Rules);
- ensuring a whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) is in place to raise concerns, in confidence and under anonymity, with the committee about possible improprieties in any matter related to the Group; and
- ensuring that policy(ies) and system(s) are in place to (i) promote and support anti-corruption laws and regulations and to (ii) foster an anti-corruption culture within the Group.

During the financial year, Risk Management Committee performed, considered and/or resolved the following matters:

- conducting the annual review of the effectiveness of the risk management and internal control systems for financial year 2021, including consideration of the adequacy of resources, staff qualifications and experience of the Group's internal audit function;
- approving the annual audit plan provided by the internal audit department;
- reviewing the quarterly reports from the internal audit department and assessing the findings of substantial contract review and non-compliance or irregularity matters (if any);

# Corporate Governance Report

- reviewing the effectiveness of the Group's internal audit function;
- reviewing the results of the internal audit and internal control review by the internal audit department with regard to continuing connected transactions; and
- assessing the risks of certain transactions and making recommendation to the Board for approval.

The annual review of the effectiveness of the risk management and internal control systems for the financial year has been conducted, details of which are set out in the section entitled "(D) Risk Management and Internal Control" below.

## *Sustainability Committee*

Sustainability Committee, being delegated (with relevant authorities) by the Board, is responsible for assisting the Board (i) to conduct effective governance and oversight of ESG matters; (ii) to formulate and review the Group's strategic objectives for sustainable development; (iii) to lead and promote each department to improve its mindsets and operation initiatives in various business processes from the perspective of sustainability; (iv) to identify, assess and manage material ESG risks; and (v) to coordinate and standardise the collection of ESG related data and information to improve the quality of ESG information disclosure.

The responsibilities of Sustainability Committee comprise, but are not limited to, the following:

- formulating the Group's vision, strategy and management approach on sustainable development;
- reviewing and overseeing ESG operation, governance structure and policy, and ensuring continuous compliance with legal and regulatory requirements;
- defining the Group's ESG objectives and relevant implementation rules and effectiveness, and regularly reviewing the progress of objectives accomplishment and reporting to the Board;
- identifying ESG risks and opportunities (including climate change related) and assessing their impacts on the Group, and reviewing whether the Group's ESG risks are effectively managed and controlled;
- reviewing and assessing the appropriateness and effectiveness of the Group's ESG governance and management structure, policies management approach, practices, procedures, strategies and measures, and updating and adjusting the same in a timely manner;
- reviewing the Group's climate change related work, overseeing the identification, assessment, management and reporting process of climate change related risks and opportunities, and determining the related strategies and measures addressing climate change, so as to reduce the negative impacts on the climate during the Group's business development;
- reviewing the Group's relevant ESG policies regularly, including but not limited to: supply chain management policies, chemical management policies, labour management policies, etc;
- overseeing the communication process between the Group and stakeholders, and if required, receiving feedback on ESG work from the Group's internal and external stakeholders, and providing improvement recommendations for the Group's future ESG work;
- ensuring that the Company prepares ESG reports in accordance with the Listing Rules and other relevant laws and regulations, reviewing annual ESG reports and reporting to the Board;
- making recommendation to the Board to maintain the completeness of ESG reports;

- ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of those relating to the Group's ESG performance and reporting;
- monitoring and verifying ESG-related staff training, budget and expenditure of the Group;
- monitoring, reviewing, and if required, reporting to the Board on international trends in legislation, regulation, and recommended best practices as regards to ESG, sustainability development, and ethical standards of corporate behaviour; and
- advising the Board the sufficiency of resources dedicated to ESG issues.

During the financial year, Sustainability Committee performed, considered and/or resolved the following matters:

- formulating and approving the Group's initial vision, core value and strategy on sustainability;
- reviewing and considering the ESG report for financial year 2021 for the approval by the Board;
- discussing the latest ESG development on policy, governance and capital markets, and trend in ESG reporting disclosure;
- discussing the latest ESG rating of the Company and considering any improvement measures;
- discussing the latest ESG regulatory requirement impacts to the Group, including climate change related matters;
- reviewing and approving the stakeholder engagement results for the purpose of ESG report for the financial year of 2022; and
- reviewing the reporting framework of ESG report for the financial year of 2022.

### **Annual Evaluation of the Board and Board Committees**

The Company undertakes an annual internal evaluation of the effectiveness and performance of the Board and Board Committees to enhance Directors' accountability and to achieve good corporate governance and Board effectiveness. In March 2023, the Board and all Board Committees underwent an annual evaluation (in the form of questionnaires) of their respective effectiveness and performance for the financial year. The questionnaires cover a broad range of topics including the Board and Board Committees' compositions, meeting dynamics and meeting materials, culture and ethics, role and responsibilities, and relationships with management and other relevant parties.

The results of the evaluation show that the Board and all Board Committees are found to be operating effectively, there is nothing significantly affecting the Board or Board Committees' performance and there is no material issue that required further discussion. Reporting of matters by all the Board Committees to the Board is found to be clear and adequate. All Directors are satisfied that the Board and Board Committees have the right mix of expertise, experience and skills. A summary of the evaluation result has been provided to the Board and Board Committees for discussion.

# Corporate Governance Report

## Meetings

The Board meets regularly to discuss the overall strategy as well as the operational and financial performance of the Group. Board meetings are held at least four times a year at approximately quarterly intervals. Directors may participate either in person or through electronic means of communications in accordance with the articles of association of the Company. Further, they have independent access to the senior management in respect of operational issues.

The attendance of individual Directors (and non-Board member) at the Board and Board Committees meetings for the financial year is set out below:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting	Sustainability Committee Meeting
No. of meetings held for the year ended 31 December 2022	4	4	2	2	4	4
<i>Executive Directors</i>						
Mr. Ding Shizhong	4/4	–	2/2	–	–	–
Mr. Ding Shijia	4/4	–	–	–	–	–
Mr. Lai Shixian	4/4	–	–	2/2	4/4	4/4
Mr. Wu Yonghua	4/4	–	–	–	–	4/4
Mr. Zheng Jie	4/4	–	–	–	–	4/4
Mr. Bi Mingwei	4/4	–	–	–	–	–
<i>Non-Executive Director</i>						
Mr. Wang Wenmo (resignation with effect from 1 July 2022)	2/2	–	–	–	–	–
<i>Independent Non-Executive Directors</i>						
Mr. Dai Zhongchuan (resignation with effect from 1 July 2022)	2/2	2/2	2/2	–	2/2	4/4
Mr. Yiu Kin Wah Stephen	4/4	4/4	–	2/2	4/4	4/4
Mr. Lai Hin Wing Henry Stephen	4/4	4/4	2/2	2/2	–	4/4
Ms. Wang Jiaqian	4/4	4/4	2/2	–	4/4	4/4
Ms. Xia Lian (appointment with effect from 1 July 2022)	2/2	2/2	0/0	–	2/2	1/1
<i>Non-Board member</i>						
Mr. Yiu Wai Hung	–	–	–	–	–	4/4

All Directors have the opportunity to include matters in the agenda for Board meetings. Sufficient notice of not less than 14 calendar days would be given for regular meetings to all Directors enabling them to attend, and reasonable notice would be given in case of other Board meetings.

Directors are required to have a thorough understanding of the issues being discussed at Board or committee meetings to enable them to contribute to discussions. The Company provides the Board and the Board Committees with adequate, complete and reliable information, in a timely manner, to enable them to make informed decisions. All Directors (and Board Committees members (if applicable)) are provided with relevant materials relating to the matters brought before the meetings at least three days in advance.

All Directors do not, in all circumstances, rely purely on information provided voluntarily by management. Where any Director requires more information than is volunteered by the Company, he can make further enquiries where necessary. The Board and individual Directors have separate and independent access to the Company's senior management. All Directors can retain independent professional advisors if necessary, at the Company's expenses. Where queries are raised by Directors, steps would be taken by the Company to respond as promptly and fully as possible.

The company secretary (or committee secretary (if applicable)) is responsible for preparing the agenda for each Board (and Board Committees) meeting and ensuring the procedures and all applicable laws, rules and regulations are followed. All Directors can seek assistance from the company secretary (or committee secretary (if applicable)). The company secretary (or committee secretary (if applicable)) is also responsible for preparing draft and final versions of Board and Board Committees meeting minutes, and would send to the Directors and Board Committees members for comment (before sign-off) and for their records, within a reasonable time after the meetings. All Directors are entitled to have access to Board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions.

### **Conflict of Interest**

If a Director (or Board Committees member (if applicable)) has a conflict of interest in relation to a transaction or proposal to be considered by the Board or Board Committees, such transaction or proposal would be dealt with by a physical meeting rather than a written resolution, and the individual is required to declare such interest and to abstain from voting. The matter would be considered at a Board or Board Committees meeting attended by Directors (or Board Committees members (if applicable)) who have no material interest in the transaction.

### **Company Secretary**

The company secretary of the Company is the key adviser to the Board on corporate governance and other regulatory compliance matters, and plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policies and procedures are followed. Any selection, appointment or dismissal of the company secretary would be approved by the Board. The company secretary is responsible for advising the Board through the Chairman on governance matters and facilitating induction and professional development of Directors. The company secretary reports to the Chairman. All Directors have access to the advice and services of the company secretary. The principal responsibilities of the company secretary include, but are not limited to, the following:

- assisting the Company develop and maintain a sound and effective corporate governance framework to ensure compliance and good corporate governance practices;
- keeping abreast of the developments in laws, rules and regulations that may affect the Group's business and operations, and briefing the Board on these developments;
- ensuring that the Board members receive continuous training in relation to the Group's business developments and any applicable laws and regulations; and
- providing compliance advice to the Board in the decision-making process, and ensuring full compliance.

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 has 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 this annual report.

# Corporate Governance Report

## (B) Corporate Purpose, Strategy and Culture

The Board has established the Company's purpose, values and strategy, and ensures that these and the Company's corporate culture are aligned. All Directors act with integrity, lead by example, and promote the desired corporate culture.

### Mission

*To Integrate the Sports Spirit of "Going Beyond Oneself" into Everyone's Daily Life.*

- We keep pushing above our limits in pursuit of success in order to become better us and create value for the society.
- We never stop striving to build the world a better place and keep moving. The best part of sports is not winning but rather enjoying the benefits it has for our body and mind. Our staff exhibit this sportsmanship in both their personal and professional lives.
- As a multi-brand sportswear group, we understand the needs of consumers, provide products catering to those needs, and actively promote sports participation to help people live a wonderful life.

### Vision

*To Become a Leading Multi-brand Sportswear Group in the World.*

- We keep moving and aspire to become a world leader in terms of market share, brand value, technological innovation, social responsibility, and staff development.

### Three Cultural Values

#### *Consumer-oriented*

We create value for consumers. This is not only the purpose and meaning behind the existence of a corporation, but also the responsibility and mission for everyone at ANTA Group.

#### *Benchmarking against High Standards*

The concept of going beyond oneself should be reflected in the work attitude, job requirements and daily practices of everyone at ANTA Group.

#### *Learning from Leaders*

ANTA Group's entire management should serve as a role model to motivate and steer the team to victory.

## Corporate Strategy

*“Single-focus, Multi-brand, Globalisation”*

- Single-focus:

Produce quality footwear and apparel products with focus on the sportswear market and consumer value; each brand focuses on product categories that drive brand salience in order to establish leading positions in their respective market segments.

- Multi-brand:

Leverage various brands to fulfill consumers’ needs and create diversified values for consumers, as well as build a multi-brand matrix encompassing brand groups of Performance Sports, Fashion Sports and Outdoor Sports; strengthen group-level shared platforms to empower multi-brand development.

- Globalisation:

Help Chinese brands to expand their reach globally and help global brands penetrate the China market; leverage on the extensive global network of ANTA Group and its joint venture, Amer Sports, to better meet the needs of global consumers; realise globalisation in terms of market position, brand portfolio, value chain composition and governance structure.

## (C) Financial Reporting and External Auditor Related Matters

### Financial Reporting

The Board aims to present a clear, balanced, comprehensible and understandable assessment of the Group’s performance, position and prospects in the annual and interim reports to the Shareholders, and make appropriate disclosure and announcements in a timely manner. Before approval of any financial or other information, management would provide sufficient explanation and information to the Board to enable it to make an informed assessment. Also, management provides all Directors with regular updates giving a balanced and understandable assessment of the Group’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties.

The Board acknowledges that it is responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, 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 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.

Audit Committee reviewed this annual report, including the consolidated financial statements of the Group for the year ended 31 December 2022 and the annual results announcement with a recommendation to the Board for approval. Audit Committee considered the following factors during the review:

- any changes in accounting policies and practices;
- major judgmental areas;
- significant adjustments resulting from audit;
- the going concern assumptions and any qualifications;
- compliance with accounting standards;

# Corporate Governance Report

- compliance with the Listing Rules and legal requirements in relation to financial reporting; and
- fairness of the connected transactions and the continuing connected transactions, and making disclosure in accordance with the Listing Rules and the applicable financial reporting standards.

## External Auditor and Audit Quality Evaluation

KPMG has been appointed as the Company's external auditor since 2004. KPMG has confirmed to Audit Committee that they are independent with respect to acting as external auditor to the Company. The work scope and responsibilities of KPMG are stated in the section entitled "Independent Auditor's Report" in this annual report.

There was no disagreement between the Board and Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.

An effective audit not only provides independent assurance on whether an entity's financial statements are free from material misstatements (i.e. give a true and fair view), but may also identify weaknesses in internal controls of the audited entity. The purpose of an audit is to enhance users' confidence in the credibility of financial statements, which contain reliable and relevant information for investors and other stakeholders to make informed decisions. While the primary responsibility for audit quality rests with external auditor, Audit Committees, in the interests of investors and other external stakeholders, plays a pivotal role in monitoring how auditor enhance and maintain audit quality.

Audit Committee underwent the annual evaluation of the Company's external auditor, KPMG, from an audit quality perspective for the financial year. The following factors of have been taken into account by the committee:

- governance and leadership;
- compliance with relevant ethical requirements (including but not limited to independence);
- industry knowledge and technical competence;
- engagement performance and resources;
- communication and interaction with Audit Committee; and
- monitoring process.

Based on the evaluation results, Audit Committee considered KPMG, as the Company's incumbent auditor, maintained audit quality that was sufficient and appropriate for the Company's audit engagement.

### Auditor's Non-Audit Services Policy

The Company has adopted an auditor's non-audit services policy to set parameters for the Group's non-audit services engagements consistent with applicable laws, regulations and the Company's corporate governance principles. The policy is applicable to the Company's external auditor, including (i) any entity that is under common control, ownership or management with the audit firm; or (ii) any entity that a reasonable and informed third party having knowledge of all relevant circumstances would reasonably consider as part of the audit firm nationally or internationally.

In order to maintain the independence of the Company's external auditor, the engagement of the auditor in relation to non-audit services shall be subject to the approval by Audit Committee. Audit Committee may approve exceptions when it determines that such an exception is in the best interests of the Company and it is determined that such an exception does not impair the independence of the auditor.

Notwithstanding the foregoing, the following non-audit services are generally prohibited and generally will not be considered for exception from the policy:

- bookkeeping or other services that would affect the accounting records or the financial statements;
- financial information systems design and implementation;
- appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources;
- broker or dealer, investment adviser or investment banking services;
- legal services; and
- any other services that Hong Kong Stock Exchange, Securities and Futures Commission of Hong Kong or applicable regulator determines impermissible.

For the purpose of Audit Committee's approval of any non-audit services to be provided by the Company's external auditor, the auditor shall provide a written statement to the effect that such non-audit services do not impair its independence.

Audit Committee is responsible for monitoring the independence of the Company's external auditor to ensure true objectivity in the financial statements, reviewing scope of non-audit services and approving fees payable to the auditor. The committee shall report to the Board on any matters where action or improvement is needed in relation to non-audit services provided by the auditor.

Audit Committee has reviewed the nature and the service charges of non-audit services performed by KPMG during the financial year and considered that these non-audit services have no adverse effect on the independence of the auditor.

Audit Committee would regularly review the implementation and effectiveness of the auditor's non-audit services policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and will also discuss and consider any revisions that may be required.

# Corporate Governance Report

During the financial year, Audit Committee has conducted the review of the implementation and effectiveness of the auditor's non-audit services policy, and concluded that the policy was implemented effectively.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website (ir.anta.com).

## Auditor's Remuneration

Audit Committee plays a pivotal role in approving the remuneration of auditors. Audit Committee ensures audit fees are not at a level that compromises audit quality and considers key factors including the nature, size, and complexity of the audit as well as market competition in assessing the reasonableness of audit fees.

Audit Committee would award such fees, commensurate with the demands of the engagement, as would ensure that sufficient resources with appropriate expertise and experience will be allotted to enable the audit to be performed in accordance with professional standards and applicable legal and regulatory requirements.

During the financial year, the fee payable to KPMG in respect of its audit services provided to the Group (other than joint venture) was RMB10,467,000 (2021: RMB9,943,000). Audit Committee has assessed the reasonableness of the audit fee in following aspects:

- size and structure of the Group in terms of: (i) total assets, revenue and net income; (ii) number and relative significance of subsidiaries and associated entities; (iii) number of geographical locations where the Group conducts business; and (iv) lines of business operated by the Group;
- nature and complexity of the Group's businesses in terms of: (i) nature of the Group's principal activities; (ii) effectiveness of the Group's financial reporting and internal control over financial reporting; (iii) whether computer-aided audit tools are expected to be used and technology specialists should be involved; and (iv) whether the Group's businesses are diversified in terms of number of business segments;
- breakdown of audit fees in terms of: (i) by seniority of staff members (i.e. the number of hours that the audit partner, audit managers, specialists, and other team members dedicated to the audit); (ii) by geographical locations of the Group's businesses (i.e. the amount of audit fees allocated by the audit firm to component auditors at each location); and (iii) by business segments of the Group (i.e. the amount of audit fees allocated by the audit firm to the audit of each business segment);
- other factors, in terms of: (i) audit fees charged by the audit firm for entities that operate in a similar industry; and (ii) fees paid by other listed entities of similar size and nature for audits of similar complexity.

Audit Committee was aware that KPMG proposed the audit fees based on factors such as severity of responsibilities, complexity, work requirements, required working conditions and working hours, and professional knowledge and work experience of staff at all levels actually participating in the audit engagement.

Audit Committee considered that, having taken into account the factors mentioned above, the audit fee of KPMG was reasonable, was within normal market level and not significantly lower than other firms, and was sufficient to enable the firm to perform the audit engagement in accordance with professional standards and applicable legal and regulatory requirements.

Fees for non-audit services for the financial year comprise service charges for the following:

	2022 RMB'000	2021 RMB'000
Review of interim results	1,601	1,706
Tax advisory and compliance (service rendered by other member firm(s))	831	619
Risk management and Internal control review (service rendered by other member firm(s))	600	600
Treasury management advisory (service rendered by other member firm(s))	2,880	–
Other non-audit services	399	–
<b>Total</b>	<b>6,311</b>	<b>2,925</b>

### Reappointment of Incumbent Auditor

Audit Committee is responsible for evaluating the incumbent auditor for reappointment where appropriate. The committee would not recommend reappointment by default.

To discharge the duties of independent oversight of the external auditor effectively, Audit Committee would evaluate the quality of the audit of the incumbent auditor on an ongoing basis by observing and interacting with the auditor during the past audit engagements.

Audit Committee meets with the auditor regularly to discuss matters relating to financial reporting and other related issues of the Group. Through the meetings, the committee assesses the ongoing performance of the auditor against the quality commitment it made and the subsequent reappointments.

Audit Committee underwent an annual assessment of the Company's incumbent auditor reappointment for the purpose of recommendation to the Board. The following factors have been taken into account by the committee:

- audit effectiveness – handling of key audit issues;
- audit effectiveness – timely completion of audit work;
- relationship between the auditor and management of the Group;
- interaction with Audit Committee; and
- other considerations.

Based on the assessment results, Audit Committee recommended the reappointment of KPMG to the Board, and the Board would propose a resolution of reappointment of the Company's incumbent auditor at the forthcoming AGM.

# Corporate Governance Report

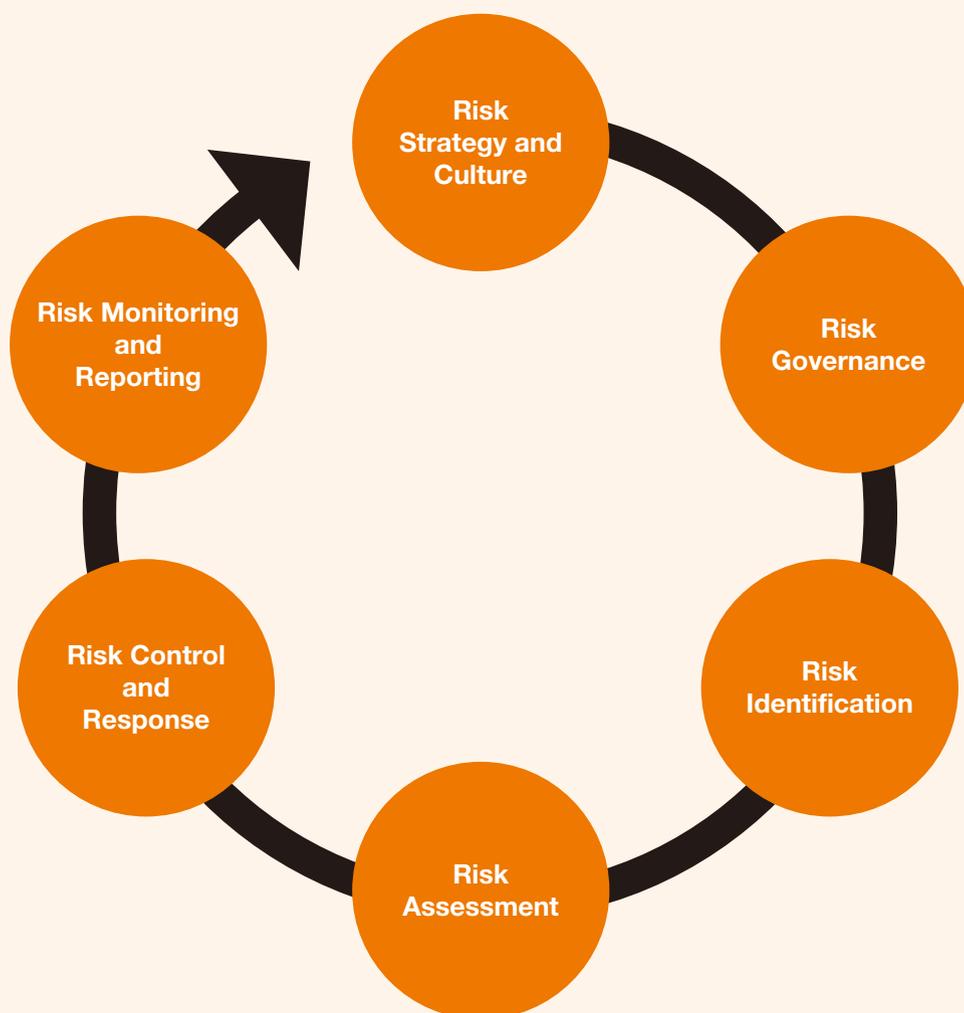
## (D) Risk Management and Internal Control

### 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 Risk Management Committee. Risk Management Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems.

### Enterprise Risk Management Framework

Enterprise risk management is a culture, competency and practice in the execution of corporate strategy to create, maintain and enhance the value and performance of the organisation. With reference to the globally recognised framework of the Committee of Sponsoring Organisations of the Treadway Commission (“COSO”), in conjunction with our development strategy, business operations, and corporate culture, the Group has developed its own enterprise risk management framework. The main features of the risk management and internal control systems and the process used to identify, evaluate and manage significant risks under the enterprise risk management framework are discussed below.



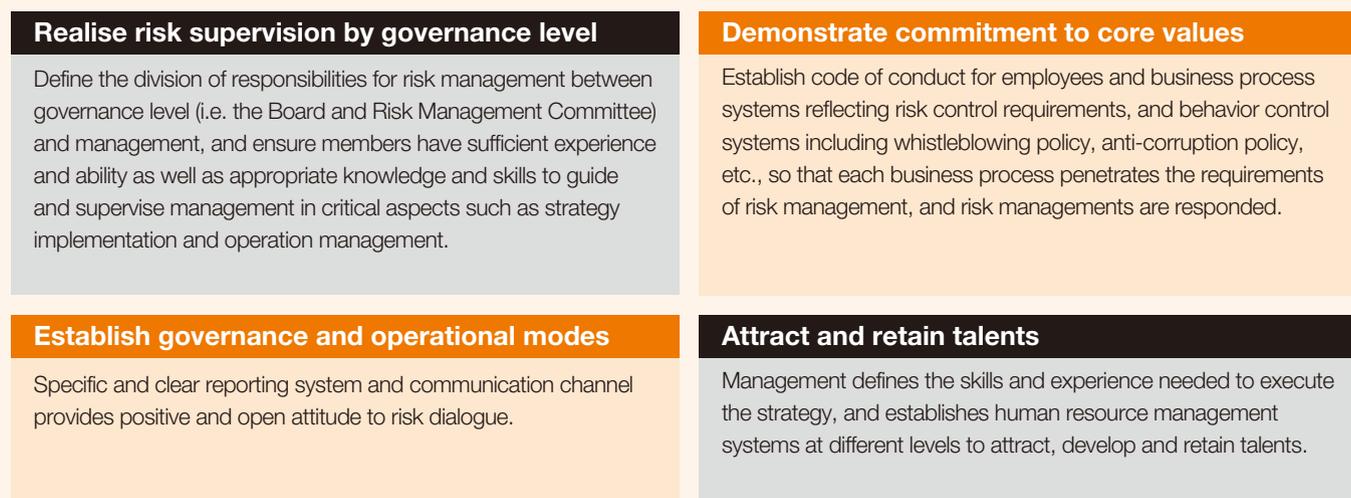
## Risk Strategy and Culture

The Board is responsible for determining the nature and extent of risks that it is willing to take in achieving the Group's strategic objectives. By strengthening the risk identification in complex environments and the dynamic tracking and adjustment of strategic objectives, reasonable assurance is provided to the Group in achieving its goals.

Management has established a risk control mode applicable to the Group as the center of strategic decision-making. Each brand and business unit decodes its strategic objectives and measures based on the Group's corporate strategy of "single-focus, multi-brand, and globalisation" and finally implements the strategies.



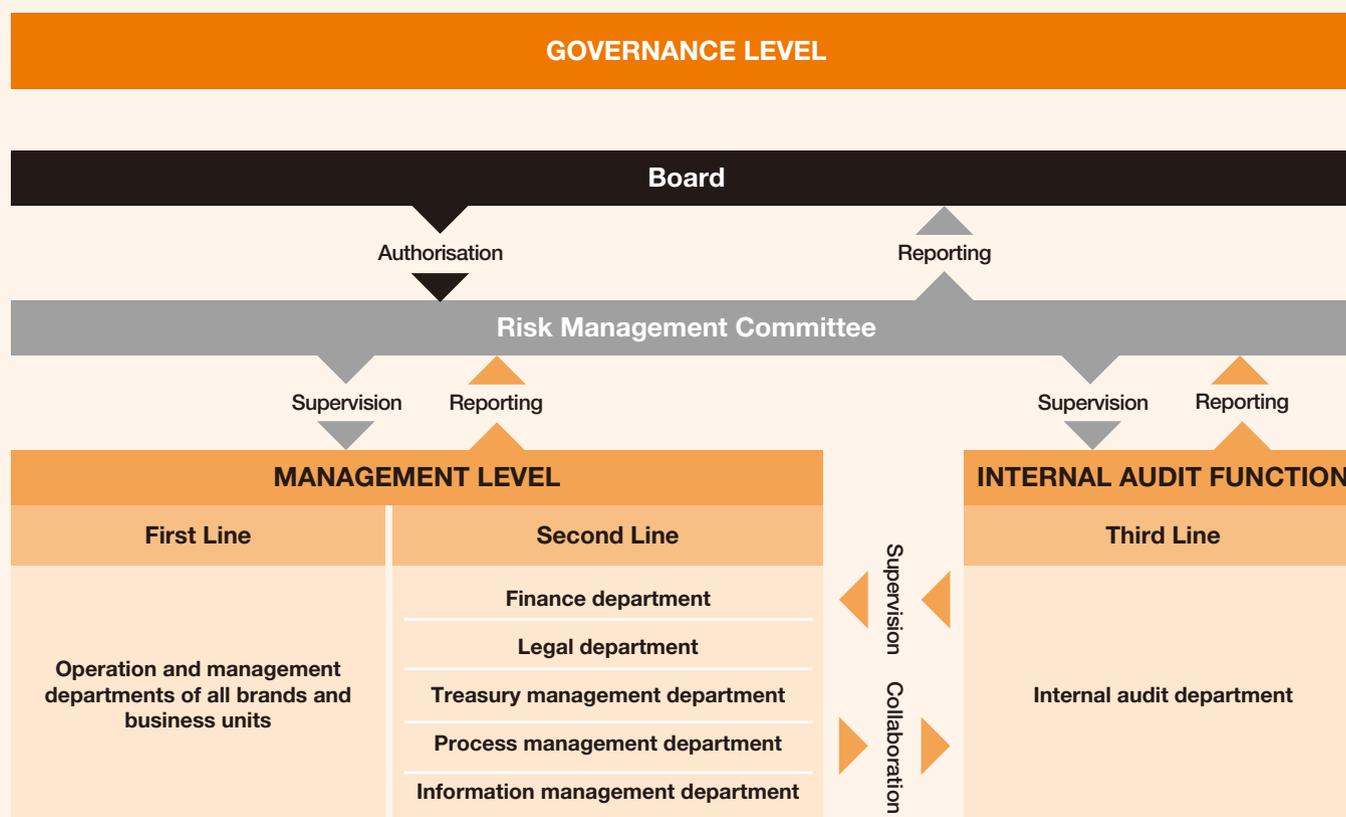
Risk culture reflects the Group's understanding of values, codes of conduct and risks. Management has established a risk governance culture that matches the Group's corporate strategy, including the following aspects:



# Corporate Governance Report

## Risk Governance

The Group has established a clear organisational structure for risk governance and defined risk management responsibilities at all levels. Through risk-based decision making and resource allocation, management takes actions (including risk management) to ensure the implementation of risk management and internal control systems and promote sustainable development of our businesses.



The major responsibilities of each level are summarised below:

### GOVERNANCE LEVEL

#### Board

- determining the Group's business strategy and objectives, and evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives;
- ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems; and
- overseeing management in the design, implementation and monitoring of risk management and internal control systems.

#### Risk Management Committee

- assisting the Board in carrying out its responsibilities of risk management and internal control;
- overseeing the Group's risk management and internal control systems on an ongoing basis;
- reviewing the effectiveness of the Group's risk management and internal control systems at least once a year, and such review should cover all material controls including financial, operational and compliance control;

- ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's internal audit function; and
- considering major findings on risk management and internal control matters, and reporting and making recommendations to the Board.

#### MANAGEMENT LEVEL

##### *First Line — Operation and management departments of all brands and business units*

First Line contains operation and management departments of all brands and business units, which take direct and primary responsibility for risk management within the scope of their responsibilities. The departments carry out daily risk control works according to internal requirements, conduct regular self-inspection and report risk events to Second Line departments, to support and cooperate with those departments in risk monitoring and evaluation.

- designing, implementing and maintaining appropriate and effective risk management and internal control systems within the scope of their responsibilities;
- identifying, assessing and managing risks that may potentially impact major processes of operations within the scope of their responsibilities;
- Monitoring risks and taking measures to mitigate the risk impact in daily operational; and
- giving prompt responses to, and following up the findings on risk management and internal control matters raised by the internal audit department or the external risk management and internal control review adviser.

##### *Second Line — Various functional departments led by finance department*

Second Line, led by financial department, collaborating with legal department, treasury management department, process management department, information management department, and other functional departments, focuses on risk control in relevant professional aspects, provides support to First Line based on the actual operating conditions of the Group, organises, coordinates, and supervises the risk management work of each department.

- designing, implementing and maintaining appropriate and effective risk management and internal control systems at higher level, including establishment and management of internal systems and processes;
- identifying, assessing and managing risks that may potentially impact major processes of operations at higher level, and assisting First Line departments to take mitigation measures;
- developing risk management standards and risk management tools;
- supervising and promoting effective risk management of operating activities; and
- establishing and promoting risk culture of the group.

#### INTERNAL AUDIT FUNCTION

##### *Third Line — Internal Audit Department*

The internal audit department is independent of management and responsible to the governance level (Risk Management Committee). It supervises and evaluates the risk management system, control procedures and activities of various risks and their effects, provides independent and objective confirmation and recommendations for the adequacy and effectiveness of risk management, and promotes and facilitates the continuous improvements of the risk management and internal control systems.

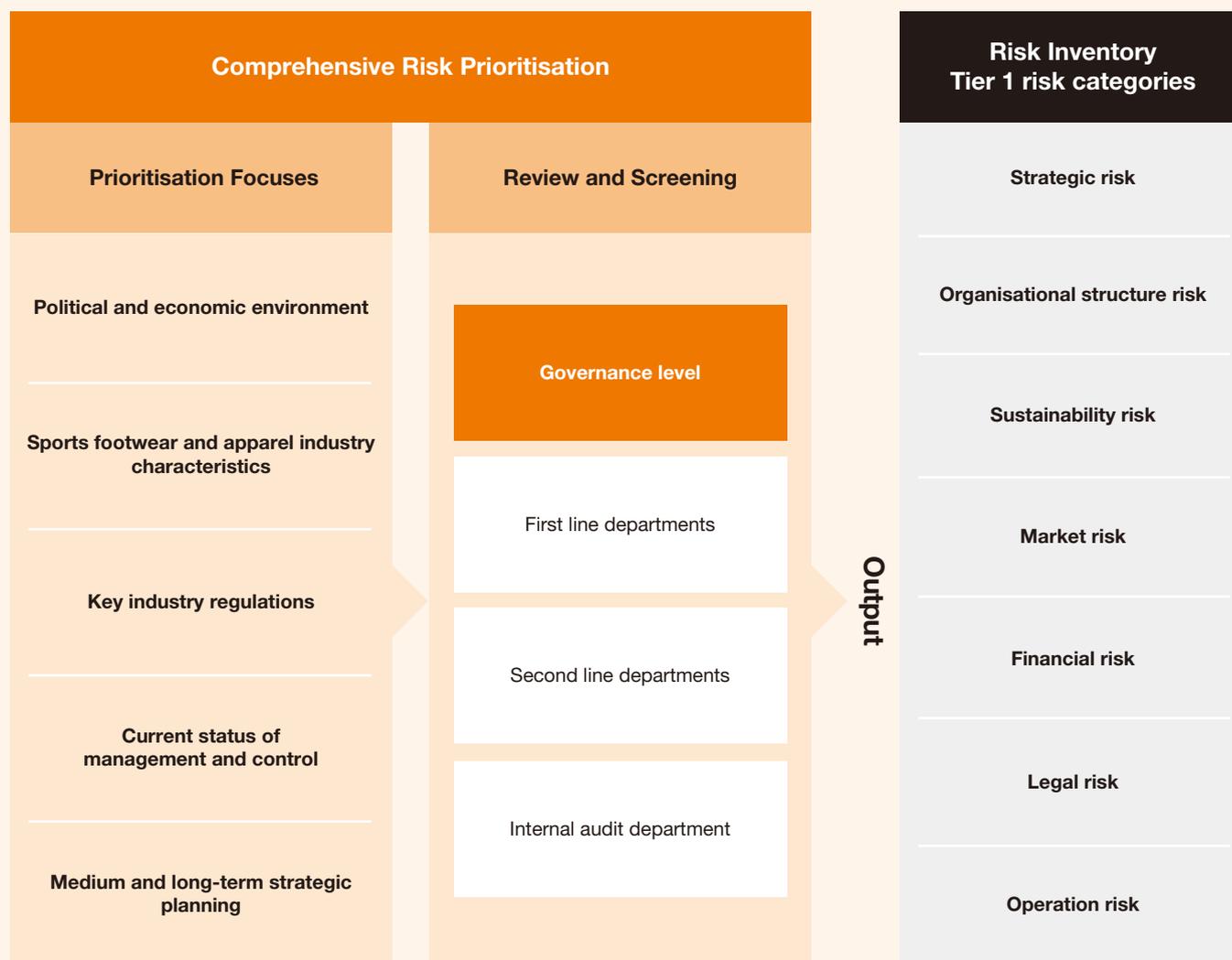
- reviewing the adequacy and effectiveness of the Group's risk management and internal control systems; and
- reporting to the Risk Management Committee the findings of the review and making recommendations to improve any material system deficiencies or control weaknesses identified.

# Corporate Governance Report

## Risk Identification

Management fully identified the risks that may have potential impact on the business and operations, and then governance level, first line departments, second line departments and the internal audit department reviewed and screened those risks. Focusing on the Group's long-term strategic objectives and actual business conditions, management built a comprehensive risk inventory for further risk assessment and core risks screening.

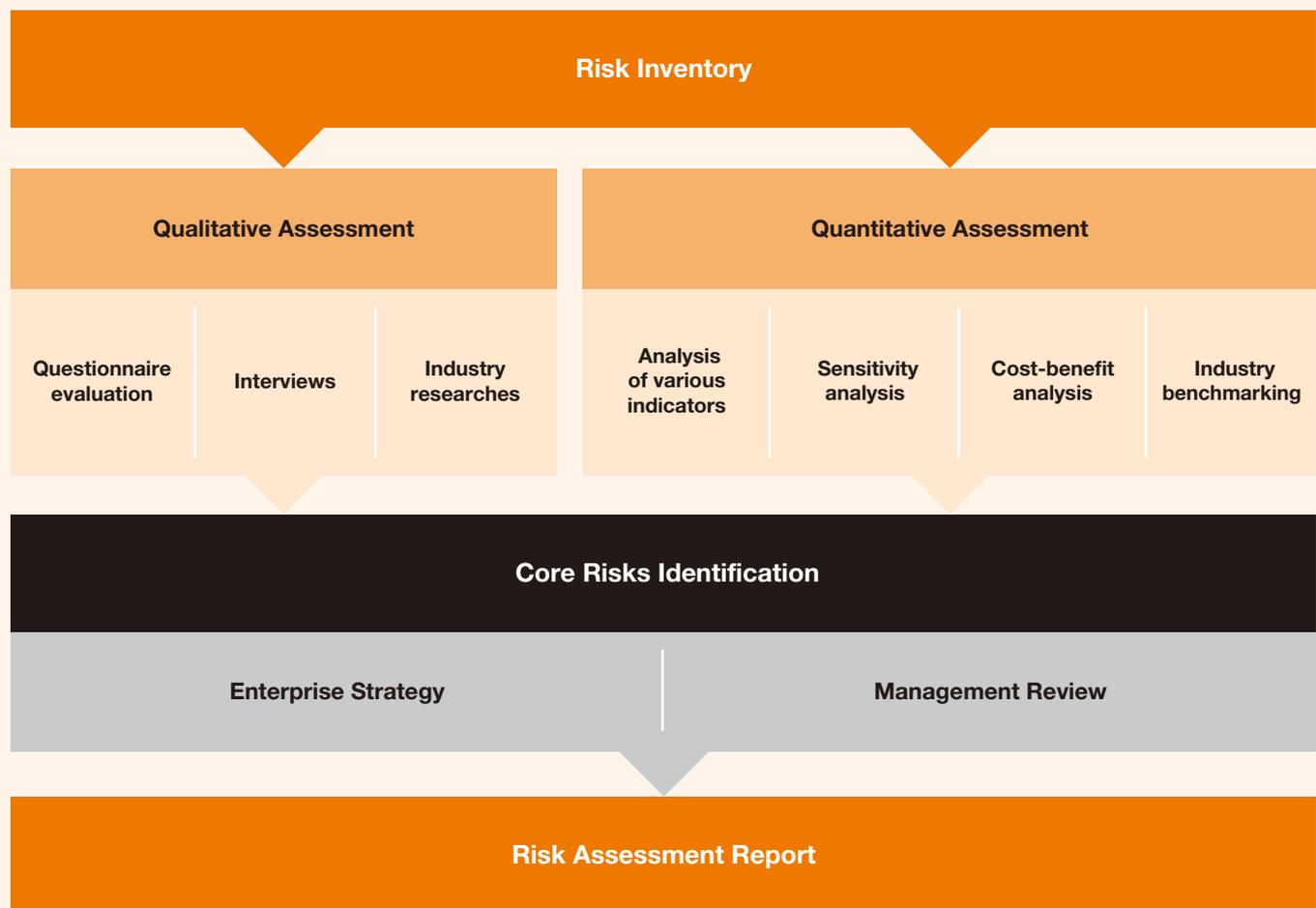
### Risk Identification Methodology



### Risk Assessment

Management has established risk assessment methods and standards, and conducts a comprehensive risk assessment at least once a year. Considering the business impact and the occurrence possibility of risks, management assessed the risk inventory identified and focused on medium and high level risks, followed by dynamic analysis on major risks and effective measures. Specific studies would be carried out when necessary for root cause analysis on specific risks. Management devotes resources to risk response, mitigation and avoidance. Finally a risk assessment report is formulated and submitted to Risk Management Committee for review.

### Risk Assessment Methodology



# Corporate Governance Report

## Risk Control and Response

Based on the risk assessment results, management assessed the risk response and prioritised the mitigation. Considering the prioritisation assessment and balancing the benefits and costs of risk management, management determined risk management measures and internal control procedures to prevent, avoid or reduce risks.

### Major risks for the financial year

Risk category	Risk topic	Description	Countermeasures
Strategic risk	Economic environment risk	<ul style="list-style-type: none"> <li>The sportswear industry is vulnerable to volatile economic cycles. In the past, the downturn in the domestic and international economies weakened the retail market environment and forced consumers to spend less, which led the traditional sportswear industry to be generally weaker with lower sales. If volatile economic cycle persists and leads to continued sluggish consumer demand, it would have an adverse impact on the Group's operations.</li> </ul>	<ul style="list-style-type: none"> <li>The Group conducts researches, in line with China's various economic and industrial policies and based on current business conditions, to reasonably determine appropriate development objectives and strategies, coping with volatile economic cycles from a high level perspective;</li> <li>Management adopts "dynamic management" approach by adjusting its strategies, plans and various business targets from time to time based on external environment in response to unexpected negative factors;</li> <li>The Group promotes a "consumer-centric" corporate culture, gains insights into changes in consumer needs, and provides personalised products that fully integrate consumers' sports life, in order to enhance consumer's satisfaction.</li> </ul>
Strategic risk	Globalisation risk	<ul style="list-style-type: none"> <li>When expanding overseas, enterprises should comply with the laws and regulations, technical standards, and other policies of the import and export countries; and any breach may cause an adverse impact on the Group's operations.</li> <li>There are significant differences among countries in terms of population, culture, religion and consumer habits. In the process of global expansion, the Group may be hindered by its failure to obtain sufficient and accurate understanding on the local cultural characteristics.</li> </ul>	<ul style="list-style-type: none"> <li>The Group strictly abides by applicable regulations and standards for consumer goods such as footwear and apparel, including labelling, chemical, and physical requirements of the import and export countries, in order to ensure legal compliance of all products;</li> <li>The Group will obtain sufficient and accurate understanding through conducting researches on the culture and characteristics of new local markets, and build a team comprising local talents and headquarters talents which could complement and learn from each other, supporting the globalisation strategy on the basis of full integration of the team.</li> </ul>

Risk category	Risk topic	Description	Countermeasures
Strategic risk	Technical environment risk	<ul style="list-style-type: none"> <li>The rapid development of technologies, materials, and craftsmanship is having a significant impact on product technique upgrade, supply chain management and sales model for sportswear. It would result in an adverse impact on the operations if the Group fails to adapt with the uncertainties arising from technical progress, product innovation and other relevant factors.</li> </ul>	<ul style="list-style-type: none"> <li>The Group adopts an open innovation model, whereby it develops new technologies and craftsmanship through its own laboratories or through joint scientific research projects conducted with various universities, research institutes, and strategic suppliers;</li> <li>The Group continuously identifies and analyses key technology trends in the industry to design forward-looking products that meet consumer needs.</li> <li>The Group leverages new craftsmanship and technologies after taking comprehensive assessments, in order to reduce production costs and to improve production efficiency and quality;</li> </ul>
Strategic risk	Distribution channel risk	<ul style="list-style-type: none"> <li>In the omni-channel era, consumers and enterprises will have different touchpoints. "Channel" is no longer a concept that refers merely to retail stores. It also covers various social media, application scenarios, and after-sales services that can offer different consumer experiences. If the Group fails to fulfil consumer needs and determine the functions of different channels appropriately, it would have an adverse impact on the operations.</li> </ul>	<ul style="list-style-type: none"> <li>The Group performs detailed analysis on macro-environmental factors such as social developments, demographic trends, policy changes, and scientific and technological developments in channel strategy planning;</li> <li>The Group dives into the details about consumer experience at each touchpoint/channel, and considers and reflects the above factors in subsequent channel settings in order to enhance the consumer experience;</li> <li>The Group reviews the positioning, purpose, and value of different channels from time to time, and through unified planning, coordinates the operations and benefits of different channels to maximise the effectiveness of omni-channel.</li> </ul>

# Corporate Governance Report

Risk category	Risk topic	Description	Countermeasures
Market risk	Risk of changes in consumer structure and consumption behaviour	<ul style="list-style-type: none"> <li>In terms of current consumption trend, 90s-95s become major consumer groups; the potential of female market is being unleashed; the demand for outdoor sports products is growing rapidly; and changes in the consumer structure and consumption behaviour are having a significant impact on enterprises. If the Group fails to fully consider changes in market demand and adjust its marketing layout in a timely manner, it would have an adverse impact on the operations.</li> </ul>	<ul style="list-style-type: none"> <li>The Group has established a consumer management team and mechanism to continuously understand consumer needs, and empower the business development of the branding, marketing, product departments, enabling the Group to fulfil consumer needs in all aspects.</li> </ul>
Market risk	Competition risk	<ul style="list-style-type: none"> <li>Increasingly tensed competition in the domestic sportswear industry could be reflected by the expanding scale and continuous concentration of the industry, and the rapid 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 value-added products. Although the Group has maintained our leading position in the China sportswear market, the Group acknowledges that further intensified market competition may impact future revenue and profitability to a certain degree.</li> </ul>	<ul style="list-style-type: none"> <li>The Group has established a strategy management team at headquarters level to dynamically analyse industry competition and provide strategy support for various brands and business units;</li> <li>The Group has formulated an innovation strategy, and its brands will further invest in various business areas, build various technology and supporting platforms, and provide high value-added products and high-quality services and experiences to the markets and consumers, enabling the Group to maintain its leading position and competitive advantages in terms of branding, products and retailing, etc..</li> </ul>

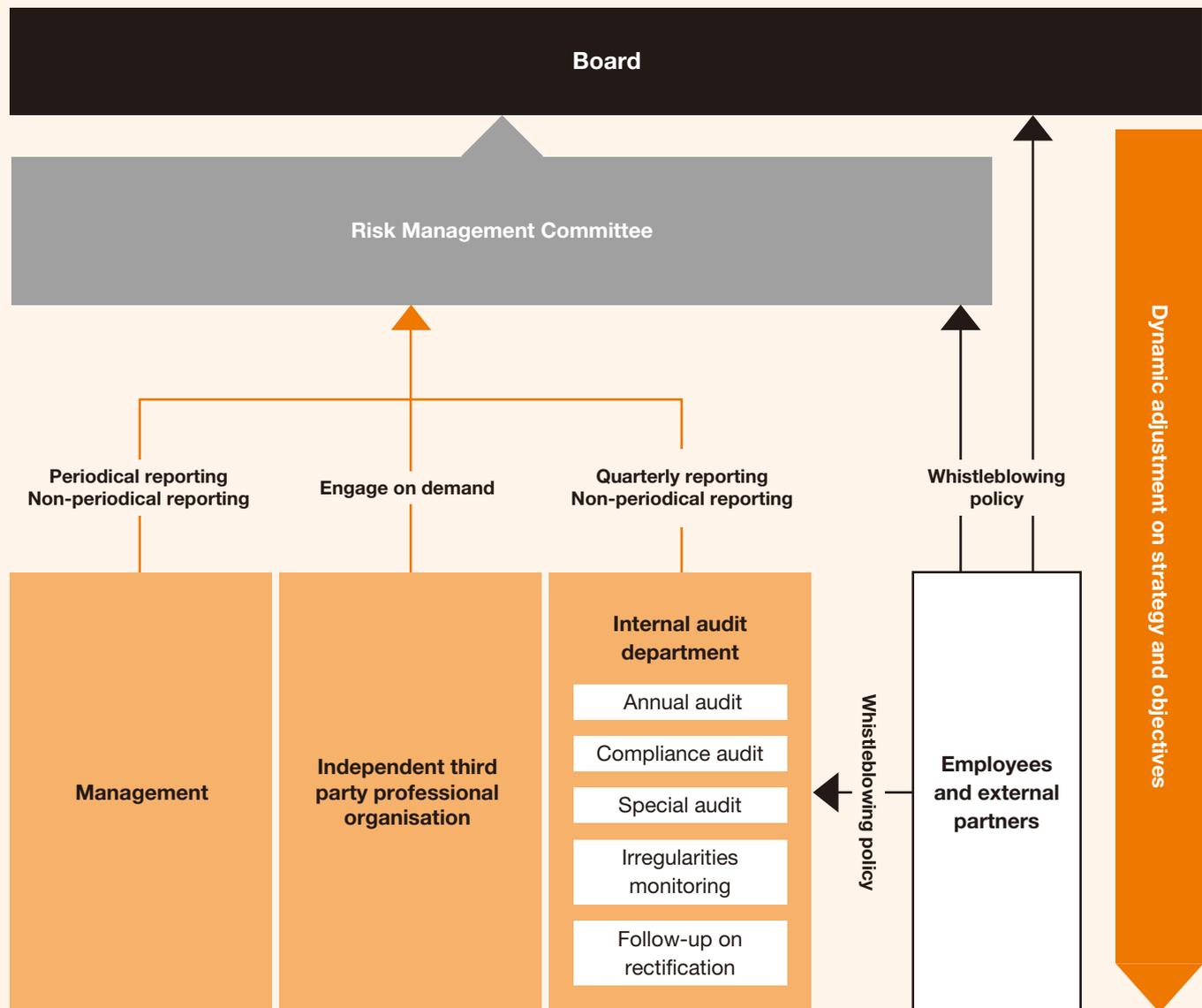
Risk category	Risk topic	Description	Countermeasures
Operational risk	Consumer experience enhancement risk	<ul style="list-style-type: none"> <li>The market has entered the era of experience economy, and personalisation of consumer needs and diversification of retail scenarios make consumer experience a key factor on brands and products selection, consumer experience enhancement is conducive to better strengthening brand loyalty. If the Group fails to deliver an all-rounded consumer experience through various touchpoints, it would have an adverse impact on brand development.</li> </ul>	<ul style="list-style-type: none"> <li>The Group recognises “consumer-oriented” values and establishes a “consumer-centric” corporate culture;</li> <li>The Group has established a consumer management team and mechanism to understand consumer needs, analyse and integrate the consumer big data obtained from its business processes, so as to empower business development;</li> <li>The Group’s high-end brands focus on consumer experience enhancement projects, strive to strengthen their connections with consumers through brand activities, store decorations, sales processes, after-sales services and other aspects, strengthening the brand salience.</li> </ul>
Operational risk	Product innovation and R&D risks	<ul style="list-style-type: none"> <li>The Group focuses on the branded sportswear business and consumers have certain level of demand on product function and style. Consumer preference for fabrics and clothing styles change at a rapid pace and our product development ability to adapt to these preferences would affect the sales performance of our products.</li> </ul>	<ul style="list-style-type: none"> <li>The Group recognises the vision of becoming a world leader in terms of “technological innovation”;</li> <li>The Group continuously increases its investments in R&amp;D, expands the product development team of various brands, establishes various overseas design centres, and attracts outstanding talents in related fields. Meanwhile, the Group provides appropriate regular trainings to the teams, so as to continuously improve the team’s awareness and capability in product innovation and R&amp;D;</li> <li>The Group updates its design and development processes for innovative products in a timely manner, to accelerate and enhance the launch of innovative products and cater to changes in consumer preferences.</li> </ul>

# Corporate Governance Report

## Risk Monitoring and Reporting

The Group conducts risk control to achieve its strategic objectives. In the course of business, governance level and all departments continuously monitor the implementation of strategies, and regularly oversee the related risk development and assess the Group's risk-bearing ability. In case of significant development, timely reporting would be made and risk management policies and internal control procedures would be updated.

Under the organisational structure of risk governance, the Group has established a good communication and feedback channel in which all departments and staff could report the risk monitoring results to the Board and Risk Management Committee, ensuring appropriate internal control procedures are in place. In particular, Risk Management Committee, on behalf of the Board, reviews the effectiveness of the Group's risk management and internal control systems annually, and follows up the mitigation of risks identifies in previous years.



### **Internal Audit Function**

The Group's internal audit function is performed by our internal audit department. The department 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 Risk Management Committee on a regular basis.

The internal audit department conducts audit on material controls, compliance with policies and procedures of the Group at both operational and corporate levels. Plans and tools for corrective actions and control improvements would be identified and communicated with operations management to address any issues, non-compliance or deficiencies identified. The department further monitors the implementation of its recommendations by the operations management and reports the outcome to Risk Management Committee. The internal audit department is also responsible for substantial contract review to identify risk behind and provide recommendation to the operation management.

The internal audit department attends regular Risk Management Committee meetings and reports their work. Significant findings (including any findings of substantial contract review and non-compliance or irregularity matters) can be reported directly and freely to Risk Management Committee. Risk Management Committee ensures sufficient resource (including annual budget and staffing) are allocated to the internal audit department for effective fulfilment of work objectives and responsibilities, and provides all necessary support.

During the financial year, the internal audit department completed various audit plans approved by Risk Management Committee in advance and reported quarterly to Risk Management Committee on the results, for which the working performance was unanimously recognised, such that the Group could be further improved in terms of compliance, internal control, risk response and management.

Risk Management Committee has conducted a review of the internal audit function of the Group for the financial year, and considered the internal audit function was effective.

### **Annual Review of Effectiveness of Risk Management and Internal Control Systems**

The Board and Risk Management Committee oversee the Group's risk management and internal control systems on an ongoing basis, and conduct annual review of the effectiveness of the Group's risk management and internal control systems. The annual review covers all material controls, including financial, operational and compliance controls for the financial year.

Risk Management Committee conducted the annual review of effectiveness of risk management and internal control systems for the financial year and has considered the following:

- the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and internal control systems;
- the work of the internal audit function;
- the extent, frequency and effectiveness of communication of monitoring results to the Board (or Board Committees);
- the adequacy of resource, staff qualification and experience, training programmes and budget of those relating to Group's internal audit function;
- significant control failures or weaknesses that have been identified during the financial year (if any);

# Corporate Governance Report

- in respect of any failures or weaknesses identified, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes for Listing Rules compliance.

Risk Management Committee (on behalf of the Board) has received a confirmation from management on the effectiveness of risk management and internal control systems for the financial year.

The Group also engaged KPMG Advisory (China) Limited as its risk management and internal control review adviser to assist the review of the effectiveness of the risk management and internal control systems for the financial year. The scope of review was determined and approved by Risk Management Committee. KPMG Advisory (China) Limited has reported major findings and areas for improvement to Risk Management Committee. All recommendations from KPMG Advisory (China) Limited would be properly followed up by the Group to ensure that they would be implemented within a reasonable period of time.

Based on the effectiveness confirmation provided by the management, the regular reports of the internal audit department and the assessment report of KPMG Advisory (China) Limited, Risk Management Committee considered: (i) the Group was able to respond to the significant risks identified and any changes in its business and the external environment; (ii) the scope and quality of management's ongoing monitoring of risks and internal control systems were appropriate for the financial year; (iii) internal audit function for the financial year was effective with satisfactory performance and quality; (iv) the resource, staff qualification and experience, training programmes and budget of those relating to Group's internal audit function for the financial year were adequate; (v) there were no significant control failures or weaknesses identified during the financial year; and (vi) the Group's processes for Listing Rules compliance for the financial year were appropriate and effective; and therefore concluded that the risk management and internal control systems of the Group for the financial year were effective and adequate.

## Whistleblowing Policy

The Group is committed to achieving and maintaining the high probity standards and ethical business practices and encouraging reporting of concerns of actual or suspected misconduct or malpractice by any employees and/or external parties in any matter related to the Group. The Company has adopted a whistleblowing policy to create a system for the employees and other persons or entities who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence and anonymity, with Risk Management Committee (designated by the Board with relevant authorities) about possible improprieties relating to the Group. The identity of the whistleblower would be treated with the strictest confidence.

The whistleblowing system established under the policy is intended:

- to cultivate a culture of openness and transparency in the Group;
- to maintain internal corporate justice;
- to encourage employees and other persons or entities dealing with the Group to raise concerns about possible improprieties relating to the Group and to provide them with confidential reporting channels for such purposes; and
- to enable the Company to detect and deter or remedy a misconduct or malpractice in the Group before serious damage is caused.

The whistleblowing policy is applicable to all employees of the Group at all levels and to other persons or entities who deal with the Group (e.g. customers and suppliers). Whistleblowers may choose to report a misconduct to the designated ethics officers (being the Chairman and the chairman of Risk Management Committee) or the Group's internal audit department.

When making a report, although the whistleblower may be unable to provide conclusive proof or evidence, the report of misconduct made under the whistleblowing policy shall include full disclosure of any relevant or material information to the extent possible.

The Company is committed to exerting its best effort to keep all reports by whistleblower confidential and privileged to the fullest extent permitted by law, and handle the reports in a timely manner. Any person making a genuine and appropriate report in good faith under the policy will be assured of fair treatment, and should not be subject to any unwarranted disciplinary action or unfair dismissal as a result of making such report. The Company strictly prohibits any retaliation and will make the best effort to take reasonable measures in order to protect whistleblowers from retaliation. Persons who victimise or retaliate against those who have genuinely raised concerns in good faith under the policy will be subject to disciplinary actions, and the identity of such person may be disclosed to internal or external investigators, or relevant law enforcement agencies or governmental, judicial or regulatory bodies for appropriate action without notifying such person to the extent permitted by law.

Should circumstances arise in which the Company is required to disclose the whistleblower's identity, the Company will, to the extent permitted by law, endeavour to inform the whistleblower that his identity is likely to be disclosed, and the Company will endeavour to protect the reasonable interest of the whistleblower.

All reports must be made in good faith. Persons making a report on any misconduct under the whistleblowing policy should exercise due care in ensuring accuracy of the information they report to the ethics officers or the internal audit department.

The Group reserves the right to take appropriate actions against any person who knowingly or irresponsibly makes false allegations or malicious allegations, including but not limited to disclosing the identity of such person to internal or external investigators, or relevant law enforcement agencies or governmental, judicial or regulatory bodies for appropriate action without notifying such person to the extent permissible by law. The Group also reserves its right to take any actions against such person to recover any loss or damages resulted from the false report. Employees who make a false report may be subject to disciplinary actions, including dismissal, where appropriate.

Risk Management Committee would regularly review the implementation and effectiveness of the whistleblowing policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and will also discuss and consider any revisions that may be required.

During the financial year, Risk Management Committee has conducted the review of the implementation and effectiveness of the whistleblowing policy, and concluded that the policy was implemented effectively.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

### **Anti-corruption Policy**

The Company is committed to pursuing ethical and anti-corruption business practices with a high standard of integrity and zero tolerance to corruption. To this end, the Company has adopted an anti-corruption policy to complement all applicable anti-corruption laws and regulations and to achieve the Company's desired anti-corruption culture.

The Group (including any Directors and employees) should comply with the relevant anti-corruption laws and regulations in the PRC (including the Supervision Law of the PRC), Hong Kong SAR and other countries or regions as applicable. The Group prohibits all forms of political contributions that contravene the legal requirements of the countries or regions as applicable. The Group strictly prohibits charitable donations from being used for bribery or corruption, and ensures that charitable donations and sponsorships are compliant, legal and ethical.

The anti-corruption policy is applicable to all Directors (including the Independent Non-Executive Directors), all employees of the Group at all levels, external parties having business dealings with the Group (including suppliers, services providers, business partners, etc.) and persons acting in an agency or fiduciary capacity on behalf of the Group (e.g. agents, consultants and contractors of the Group).

# Corporate Governance Report

Directors and employees of the Group shall uphold at all times the Group's core value of integrity, honesty, fairness, impartiality and ethical business practices.

Directors and employees of the Group should not accept any advantage from any person, company or organisation having business dealings with the Group, whether or not any undue favour is involved. They may only accept (but not solicit) an advantage when such advantage is offered on a voluntary basis and such advantage is disclosed to and approved by the Group. If a Director or an employee is unsure as to whether the acceptance of an advantage could (i) affect the proper discharge of his duties or (ii) place such Director or employee under an obligation to act against the Group's interests, he should always decline to accept the advantage.

Directors and employees of the Group shall avoid any conflict of interest or potential conflict of interest with the Group, and should declare any conflict of interest or potential conflict of interest as appropriate.

Directors and employees of the Group shall not give any advantage to any person, company or organisation having business dealings with the Group for inappropriate advantage or any other illegitimate purpose.

Directors and employees of the Group shall not, in their personal capacity or acting in an agency or fiduciary capacity on behalf of the Group, provide any form of facilitation payments to any individual or entity.

Any breach of the anti-corruption policy should be reported to the Company through reporting channels under the whistleblowing policy of the Company, whether it is known who may be responsible for the breach or how it may have occurred. The Company takes reports of corruption seriously, and may conduct investigations pursuant to the whistleblowing policy of the Company if necessary. Material incidents relating to breaches of the anti-corruption policy shall be brought to the attention of the Board by Risk Management Committee.

Risk Management Committee would regularly review the implementation and effectiveness of the anti-corruption policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and would also discuss and consider any revisions that may be required.

During the financial year, Risk Management Committee has conducted the review of the implementation and effectiveness of the anti-corruption policy, and concluded that the policy was implemented effectively.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

For the review of our anti-corruption performance for the financial year, please refer to the Company's *Environmental, Social and Governance Report 2022*.

### Inside Information Management Policy

With respect to inside information (as defined under the SFO), the Company has adopted an inside information management policy in accordance with Part XIVA of the SFO, the Listing Rules, the *Guidelines on Disclosure of Inside Information* promulgated by the Securities and Futures Commission of Hong Kong in June 2012 and other relevant laws and regulations and based on the actual situation of the Company, in order to strengthen the management of the Company's information disclosure and ensure an orderly market as well as the truthfulness, accuracy, completeness and timeliness of information disclosure of the Company, to protect the legitimate rights and interests of the Company, its shareholders, creditors and other stakeholders.

The Company complies with the following fundamental principles for information disclosure:

- Principle of truthfulness:  
The matters summarised in the information disclosed shall be consistent with the facts;
- Principle of accuracy:  
The contents of the information disclosed shall be consistent with the facts and shall be presented in a clear and balanced way, which requires equal disclosure of both positive and negative facts;
- Principle of completeness:  
The information disclosed shall not be misleading and contain any omissions;
- Principle of timeliness:  
Information shall be disclosed within the time specified by the relevant laws and regulations;
- Principle of fairness:  
Holders of the Company's securities shall be treated fairly and equally, and the Directors shall act in the interests of all the Shareholders. Inside information that has not been publicly available shall be kept strictly confidential, and shall be disclosed to the public at the time of announcement in the manner required by the relevant laws and regulations.

In accordance with the inside information management policy, except for the relevant personnel who are responsible for information disclosure according to the laws, all other personnel of the Group shall have the absolute duty to keep inside information (prior to the publication of the relevant announcement by the Company on the Hong Kong Stock Exchange) and the relevant Board meetings content and documents confidential. Directors, senior management and other persons of the Group are not allowed to disclose any inside information to the public without authorisation of the Board.

The Company would, as soon as reasonably practical after any inside information has come to its knowledge, disclose the information to the public, unless such information falls within any of the "Safe Harbours" as provided in the SFO.

When the Board is aware that it is difficult to keep undisclosed inside information confidential or it has already been leaked, or that there have been unusual fluctuations in the price or trading volume of the Company's securities, the Company would immediately contact the Hong Kong Stock Exchange and make disclosure of such inside information (either by a full announcement or a temporary announcement). In such case, the Company would make an application to suspend trading in securities until publication of announcement.

# Corporate Governance Report

The Company would disclose inside information to the market as a whole through the publication-submission system of the Hong Kong Stock Exchange so that all market players have equal and simultaneous access to the same information. The Company may disclose inside information in the form of both an announcement and a press release (but not simply in the form of a press release), provided that the contents of both are consistent and that the press release does not contain inside information that is not covered in the announcement.

The Board would regularly review the implementation and effectiveness of the inside information management policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and will also discuss and consider any revisions that may be required.

During the financial year, the Board has conducted the review of the implementation and effectiveness the inside information management policy, and concluded that the policy was implemented effectively.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

## (E) Sustainability and ESG Related Matters

The Company appreciates the great importance of sustainability. By adhering to improving internal sustainability governance, and strengthening the management and control of corporate development's impact on the environment and society, the Company strive to continue to create value for our stakeholders. The Company established a top-down ESG governance structure to promote the Group's overall sustainability efforts from governance level. The Board has overall responsibility for the Company's ESG strategy and reporting, and oversees the overall ESG governance of the Company. The Board has established Sustainability Committee and has delegated its responsibilities (with relevant authorities) of sustainability and ESG related matters. The committee is responsible for assisting the Board to (i) to conduct effective governance and oversight of ESG matters; (ii) to formulate and review the Group's strategic objectives for sustainable development; (iii) to lead and promote each department to improve its mindsets and operation initiatives in various business processes from the perspective of sustainability; (iv) to identify, assess and manage material ESG risks; and (v) to coordinate and standardise the collection of ESG related data and information to improve the quality of ESG information disclosure. Sustainability Committee would identify the proper order of priority as to ESG issues to drive the Company's ESG governance efforts.

### Sustainability Vision, Core Values and Strategies

Sustainability Committee has formulated the Group's initial sustainability vision, core values and strategies. The details are as follows:

#### *Sustainability Vision*

To become a world-leading sustainable benchmarking enterprise

#### *Sustainability Core Values*

Mutualism with Consumers, Mutualism with Employees, Mutualism with Partners, Mutualism with the Society, Mutualism with the Environment

#### *Sustainability Strategies*

##### **Mutualism with Consumers**

- Establish a define and solid consumer ESG mindset, enabling consumers to realize circular consumption.

### **Mutualism with Employees**

- Adhere to the three core cultural propositions – “Consumer-oriented, Benchmarking with High Standard, Leaders as Role Model” – and continue to maintain our industry-leading employment standards and work environment;
- Establish an industry-leading, efficient and attractive compensation system and invest more in the long-term employee incentive scheme;
- Step up the cultivation of young talents and attract young talents to work in the Company;
- Provide employees with a broad career platform and improve the multi-tiered structure of global talent pool;
- Increase the proportion of female executives (director level and above);
- Offer employment opportunities to the disabled and the underprivileged.

### **Mutualism with Partners**

- Empower suppliers and improve supplier governance capabilities;
- Enhance supply chain transparency;
- Optimize the supplier management policies and system.

### **Mutualism with the Society**

- One poverty alleviation project, One poverty alleviation project, One China sports development project, One sports education project, One ecological protection project

### **Mutualism with the Environment**

- One overall goal: to achieve carbon neutrality by 2050;
- Three “Zero” by 2030: to achieve net zero carbon emissions in self-owned operating facilities, zero use of virgin plastic in self-owned operating facilities, and zero-landfill of self-generated production waste;
- Five “50%” by 2030: to increase the proportion of sustainable products to 50%, apply 50% sustainable raw materials, replace 50% of strategic partners’ energy consumption with renewable energy, replace 50% of fuel used for transportation in our self-owned operating facilities with clean fuels, and use sustainable packaging for 50% of products.

### **Annual Review of Sustainability and ESG Matters**

Sustainability Committee conducted an annual review of the Group’s sustainability and ESG matters for the financial year and considered the following:

- the adequacy of resource, staff qualification and experience, training programmes and budget of those relating to Group’s ESG performance and reporting;
- the changes, since the last annual review, in the nature and extent of significant ESG risks (if any); and
- the scope and quality of management’s ongoing monitoring of ESG risks.

# Corporate Governance Report

Sustainability Committee concluded that: (i) the resource, staff qualification and experience, training programmes and budget of those relating to Group's ESG performance and reporting for the financial year were adequate; (ii) there were no significant ESG risks identified during the financial year; and (iii) the scope and quality of management's ongoing monitoring of ESG risks were appropriate for the financial year.

For further details of the Group's sustainability and ESG matters, please refer to the Company's *Environmental, Social and Governance Report 2022*.

## (F) Shareholders' Rights, Communications with Shareholders and Investor Relations

### Shareholders Information

The Company analyses its shareholding structure on a regular basis, including a review of the register of institutional and retail investors, to keep track of changes in shareholdings by type of investors. A shareholding register analysis conducted as at 31 December 2022 revealed the shareholding structure as follows:

#### Shareholders by Domicile

	% of Total Issued Shares
Hong Kong SAR	61.0
Mainland China	10.2
North America	9.9
United Kingdom	4.2
Europe (ex-United Kingdom)	2.0
Singapore	1.7
Rest of the World	11.0
Total	100.0

The public float capitalisation at 31 December 2022 was RMB104,645 million, representing 42.05% of the market capitalisation of the Company.

### Shareholders' Rights

#### Enquiries to the Board

The Company values feedback from Shareholders on its efforts to promote transparency and foster investor relationships. 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 SAR 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 this annual report.

#### General Meetings

General meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. An extraordinary general meeting may be convened for approval of a matter as required under the articles of association of the Company, the Listing Rules or other relevant rules and regulations.

For each substantially separate issue at a general meeting, a separate resolution would be proposed by the chairman of that meeting. “Bundling” resolutions would be avoided unless they are interdependent and linked forming one significant proposal. Where the resolutions are “bundled”, the Company will explain the reasons and material implications in the notice of meeting.

In respect of any AGM, the Chairman would attend the AGM and also invite the chairmen of the Board Committees to attend. In their absence, another member of the committee or failing this his duly appointed delegate will be invited to attend the AGM. These persons will be available to answer questions at the AGM. The chairman of the independent director committee (if any) would also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders’ approval. The Company’s management would ensure the external auditor attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor independence.

General meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. In accordance with the articles of association of the Company, notice of AGM would be distributed to all Shareholders no less than twenty-one clear 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 notice of all other general meetings would be sent no less than fourteen clear days prior to the meeting. The chairman of a general meeting would exercise 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 would be explained and questions from Shareholders on voting by poll would be answered at the meeting. Voting results would be posted on the websites of the Company and Hong Kong Stock Exchange on the day of the general meeting.

The 2022 AGM was held at ANTA Operations Center, No. 99, Jiayi Road, Guanyinshan, Xiamen, Fujian Province, China on 11 May 2022. Certain measures were taken to prevent and control the Pandemic, including:

- compulsory body temperature checks and health declarations;
- compulsory wearing of surgical face masks at the AGM venue and throughout the AGM; and
- designated seat will be assigned for every attendee at the AGM venue; and
- no distribution of corporate gift and no serving of refreshment, food and beverage.

In the interest of all stakeholders’ health, the Company reminded all Shareholders that physical attendance in person at the AGM was not necessary for the purpose of exercising voting rights. As an alternative, by using form of proxy with voting instructions inserted, Shareholders might appoint the chairman of the AGM as their proxy to vote on the relevant resolutions at the AGM instead of attending the AGM in person.

# Corporate Governance Report

All of the Directors (except Ms. Xia Lian who was appointed with effect from 1 July 2022) attended the 2022 AGM to gain and develop a balanced understanding of the views of the Shareholders. The attendance record of the Directors at the AGM is set out below:

	AGM
<i>Executive Directors</i>	
Mr. Ding Shizhong	1/1
Mr. Ding Shijia	1/1
Mr. Lai Shixian	1/1
Mr. Wu Yonghua	1/1
Mr. Zheng Jie	1/1
Mr. Bi Mingwei	1/1
<i>Non-Executive Director</i>	
Mr. Wang Wenmo (resignation with effect from 1 July 2022)	1/1
<i>Independent Non-Executive Directors</i>	
Mr. Dai Zhongchuan (resignation with effect from 1 July 2022)	1/1
Mr. Yiu Kin Wah Stephen	1/1
Mr. Lai Hin Wing Henry Stephen	1/1
Ms. Wang Jiaqian	1/1

The matters proposed to be passed by ordinary resolutions of the Company at the 2022 AGM were, including but not limited to, as follows:

- approval of audited consolidated financial statements of the Company for the year ended 31 December 2021;
- declaration of a final dividend of HK68 cents per ordinary shares of the Company in respect of the year ended 31 December 2021;
- re-election and re-appointment of Mr. Ding Shizhong, Mr. Lai Shixian, Mr. Wu Yonghua and Mr. Dai Zhongchuan as Directors;
- re-appointment of KPMG as the Company's auditor;
- approval of Issue Mandate, Repurchase Mandate and Extension Mandate (as defined in the circular of the Company dated 31 March 2022); and
- approval of the proposed amendments to the then memorandum of association and articles of association of the Company and proposed adoption of the new set of amended and restated memorandum and articles of association of the Company.

At the AGM, all resolutions were voted by way of poll. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong SAR branch share registrar and transfer office, acted as the scrutineer for the vote-taking at the AGM. For ordinary resolutions, more than 50% of the votes were cast in favour of each of the resolutions, the resolutions were duly passed as ordinary resolutions of the Company; for special resolution, more than 75% of the votes were cast in favour of the special resolution of the adoption of the new set of amended and restated memorandum and articles of association of the Company, the resolution was duly passed as a special resolution of the Company. The Company announced the results of the poll on the websites of the Hong Kong Stock Exchange and the Company in accordance with the Listing Rules on the same date.

No other general meeting was held during the financial year.

#### *Convening Extraordinary General Meeting(s) and Putting Forward Proposals at General Meetings*

Shareholders 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 and to add resolutions to the meeting agenda of such meeting pursuant to article 58 of the Company's articles of association. The written requisition must state the objects of the meeting and the resolutions proposed, and must be signed by the relevant Shareholders and deposited at the Hong Kong SAR principal office of the Company, which is presently situated at 16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong SAR. The requisition may consist of several documents in like form and may include the text of a resolution that may properly be moved and is intended to be moved at the extraordinary general meeting.

Such extraordinary general meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may convene an extraordinary general meeting in form of a physical meeting, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board would be reimbursed to the requisitionists by the Company.

#### *Procedure for Shareholders to Propose a Person for Election as Director*

Pursuant to article 85 of the Company's articles of association, if a Shareholder wishes to propose a person (other than a retiring Director or a person recommended by the Board) for election as a Director at a general meeting and such Shareholder (other than the person to be proposed) is duly qualified to attend and vote at such general meeting, such Shareholder (other than the person to be proposed), should lodge a written notice signed by him to articulate his intention to propose such person for election and a written notice signed by the person to be proposed of his willingness to be elected at the Hong Kong SAR principal office of the Company, which is presently situated at 16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong SAR, or at the Company's Hong Kong SAR branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong SAR. The notices should be given within the period commencing on the day after despatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting and such period shall be at least seven days.

### **Constitutional Documents**

During the financial year, the Board proposed to amend the then memorandum and articles of association of the Company and to adopt a new set of amended and restated memorandum and articles of association of the Company in order to, among other things, (i) bring the memorandum and articles of association of the Company in line with the relevant requirement of the applicable laws of the Cayman Islands and the Listing Rules; (ii) allow the Company to hold electronic and hybrid general meetings; and (iii) make some other housekeeping improvements. A special resolution of the Shareholders was passed at the AGM on 11 May 2022 to approve the amendments to the then memorandum and articles of association of the Company and the adoption of the new set of amended and restated memorandum and articles of association of the Company with effect from the same date.

For the summary of the major changes brought by and the details of the amendments to the then memorandum and articles of association of the Company, please refer to the announcement of the Company dated 22 March 2022 and the AGM circular of the Company dated 31 March 2022.

The new set of amended and restated memorandum and articles of association of the Company was published on the Company's website ([ir.anta.com](http://ir.anta.com)) and the HKEXnews websites of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)).

# Corporate Governance Report

## Dividend Policy

The Company has adopted a dividend policy to enable the Shareholders to participate in the Company's profit and allow the Company to retain adequate reserves for future growth. Through a sustainable dividend policy, the Board endeavours to strike a balance between meeting Shareholders' expectations and maintaining prudent capital management. Under the policy, if the Group records positive net profits and subject to the maintenance of the Group's normal operations, the Company may declare and pay dividends to the Shareholders.

In proposing any dividend pay-out, the Company would consider various factors including:

- the Group's actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the level of the Group's debts to equity ratio, return on equity and the relevant financial covenants;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirement and investment demand, and future expansion plans and prospects;
- 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 Group; and
- any other factors that the Board deem appropriate.

The dividend policy and the declaration and/or payment of future dividends under the policy are subject to the Board's continuing determination that the dividend policy and the declaration and/or payment of dividends would be in the best interests of the Group and Shareholders, and are in compliance with all applicable laws and regulations. Any declaration and payment of dividends shall be approved and paid in accordance with all applicable laws and regulations, and the memorandum and articles of association of the Company (as amended from time to time). Such declaration and payment of dividends shall remain to be determined at the sole discretion of the Board. There is no assurance that dividends will be paid in any particular amount for any given period. The dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

The Board would regularly review the implementation and effectiveness of the dividend policy to ensure that the policy remains relevant to the Company's needs and reflects both current regulatory requirements and good corporate governance practice, and will also discuss and consider any revisions that may be required.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

## Shareholders' Communication Policy

The Board has adopted a shareholders' communication policy which aims to set out the communication framework and channels available to the Shareholders and other stakeholders of the Company with the objective of ensuring that the Shareholders, both individual and institutional, and, in appropriate circumstances, the investment community at large, are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and business plans, material business developments and corporate governance), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders and the investment community to engage actively with the Company.

The Board maintains an on-going dialogue with Shareholders and the investment community. Information is communicated to Shareholders and the investment community mainly through the following channels: Company's financial reports (interim and annual reports), ESG reports, annual general meetings and other general meetings that may be convened, publication of its announcements, corporate communication documents and other corporate publications on the Company's investor relations website and the website of the Hong Kong Stock Exchange. The head of investor relations department of the Company has access to the Board and at all times ensures effective and timely dissemination of information to Shareholders and the investment community to solicit and understand their views.

The Company also recognises the importance of safeguarding Shareholders' privacy and would not disclose Shareholders' information without their consent, unless required by the relevant laws and regulations.

The Company has also followed the communication methodologies under the shareholders' communication policy as follows:

### *Shareholders' Enquiries*

- Shareholders may direct their questions about their shareholdings to the Company's share registrars;
- Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available; and
- Shareholders and the investment community are provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

### *Corporate Communications*

- corporate communication documents (including but not limited to annual report, interim report, ESG report, notice of meeting, circular and proxy form) would be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communication documents (in hard copy or through electronic means); and
- Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

### *Corporate Website and Webcasts*

- information on the Company's investor relations website ([ir.anta.com](http://ir.anta.com)) would be updated on a regular and timely basis;
- information released by the Company on the website of Hong Kong Stock Exchange would also be posted on the Company's investor relations website as soon as possible thereafter. Such information includes, but is not limited to, financial statements, results announcements, ESG reports, Shareholder circulars, notices of general meetings and related explanatory documents;

# Corporate Governance Report

- presentation materials provided in conjunction with the Company's annual and interim results announcement and other investor relations activities would be made available on the Company's investor relations website as soon as practicable after their release;
- investor relations related press releases issued by the Company would be made available on the Company's investor relations website as soon as practicable after their releases; and
- replay of webcasts of the Company's annual and interim results briefings would be made available on the Company's investor relations website as soon as practicable after the event.

## *Shareholders' Meetings*

- Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings;
- the process of the Company's general meeting would be monitored and reviewed on a regular basis, and, if necessary, changes would be made to ensure that Shareholders' needs are best served; and
- Board members, in particular, the chairmen of Board Committees or their delegates and external auditor would, where appropriate, attend AGMs to answer Shareholders' questions.

## *Investment Market Communications*

- investor/analyst briefings and group/one-on-one meetings, investor conferences, non-deal roadshows (both domestic and international), media interviews, investor days, marketing activities and specialist industry forums would be available when and if appropriate, in order to facilitate communication between the Company, Shareholders and the investment community; and
- The Company's directors and employees who have contacts or dialogues with investors, analysts, media or other external parties are required to comply with the disclosure obligations and requirements under the Company's information disclosure policy.

The Board would annually review the implementation and effectiveness of the shareholders' communication policy to ensure that the policy remains relevant to the Company's needs and reflects both the current regulatory requirements and good corporate governance practice, and would also discuss and consider any revisions that may be required.

Based on the Company's shareholders engagement works carried out during the financial year (details of which are set out in the part headed "Investor Relations" of this section), the Board has conducted the annual review of the implementation and effectiveness of the shareholders' communication policy, and concluded that the policy was implemented effectively during the financial year.

For further details of the policy, please refer to the full text of the policy which is published on the Company's website ([ir.anta.com](http://ir.anta.com)).

## Investor Relations

The Company believes that it is essential to maintain effective communication with the investment community in a timely manner through various media. The Company's investor relations department attaches importance to the provision of relevant public information to investors and analysts to enable them to make appropriate valuation of the Company's shares or any securities issued by the Group. Through investor/analyst briefings, group/one-on-one meetings, investor conferences, non-deal roadshows and other events, institutional investors and analysts can interact with the Chairman and other senior executives for updates on the development of the Group's strategic initiatives and operations.

During the financial year, the following investor relations activities were conducted for the institutional investors and analysts in Mainland China, Hong Kong SAR and overseas countries:

- investor/analyst briefings;
- group/one-on-one meetings;
- investor conferences;
- non-deal roadshows; and
- store visits.

During the financial year, over 300 investor relations activities were conducted. As affected by the Pandemic, most of the investor relations activities were conducted via webcast/teleconferencing/videoconferencing. Investment community views are communicated regularly to the Board, including rating and target price of the Shares and summaries of questions and feedback from investors and analysts. During the financial year, investors' major areas of interest included:

- the Group's operational updates and risk management strategies and the joint venture's recent performance under the volatility as a result of the Pandemic;
- the Group's and the joint venture's development strategies;
- latest developments regarding the DTC model for ANTA brand; and
- latest developments regarding online business of all the brands.

For share information, important shareholders' dates in the coming financial year and investor relation contact, please refer to the section entitled "Investors Information" in this annual report.

By order of the Board



**Ding Shizhong**

*Chairman*

Hong Kong SAR, 21 March 2023

# Directors, Company Secretary and Senior Management

## Executive Directors

**Mr. Ding Shizhong** (丁世忠), aged 52, is the Board Chairman and an Executive Director of the Company. He plays a core leadership role in the Group's corporate strategy, talent build-up, corporate culture and operational supervision, and directly oversees the Group's internal audit and supervision functions as well as mergers and acquisitions initiatives. 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 currently a vice chairman of All-China Federation of Industry and Commerce, a vice chairman of China Sporting Goods Federation, a board member of Samaranch Foundation, an advisor of the Chinese Basketball Association and a 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, both being the Company's Executive Directors. He is also a director of Anta International, a substantial shareholder of the Company.

**Mr. Ding Shijia** (丁世家), aged 58, is the Board Deputy Chairman and an Executive Director of the Company. He oversees the Group's manufacturing operation. He is the co-founder of the Group and has over 30 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. Mr. Ding is the elder brother of Mr. Ding Shizhong and the brother-in-law of Mr. Lai Shixian, both being the Company's Executive Directors. He is also a director of Anta International, a substantial shareholder of the Company.

**Mr. Lai Shixian** (賴世賢), aged 48, is an Executive Director and one of the Co-CEOs of the Company. He is in charge of ANTA brand, all other brands except FILA brand, group procurement and a number of the Group's functions including human resources, legal, investor relations and administration. 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. He is currently a vice president of Fujian Federation of Industry and Commerce (General Chamber of Commerce) and a 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 being 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 52, is an Executive Director and one of the Co-CEOs of the Company. He is in charge of FILA brand, the Group's international businesses and a number of the Group's functions including retail channel management and public relations. 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 54, is an Executive Director of the Company. He is the chief executive officer of Amer Sports and is primarily responsible for Amer Sports related business. 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 Fudan University in Shanghai. He is a past chair and a current vice chair of the World Federation of The Sporting Goods Industry (WFSGI).

**Mr. Bi Mingwei** (畢明偉), aged 50, is an Executive Director and the CFO of the Company. He is primarily responsible for the Group's financial management functions and a number of middle-and-back-office functions including business process management and logistics management. He joined the Group in May 2007 and has over 20 years of experience in financial management and the sportswear industry. Mr. Bi holds a bachelor's degree of accounting from the University of International Business and Economics in China and is a non-practicing member of the Chinese Institute of Certified Public Accountants.

## Independent Non-Executive Directors

**Mr. Yiu Kin Wah Stephen** *JP* (姚建華), aged 62, 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 and the Hong Kong Institute of Certified Public Accountants. He is currently the chairman and 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 the treasurer and a council member of The Hong Kong University of Science and Technology, and a director of Hong Kong Academy of Finance. 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 Hong Kong 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. Lai Hin Wing Henry Stephen** (賴顯榮), aged 66, is an Independent Non-Executive Director of the Company and joined the Board in November 2020. He received a bachelor's degree in law from The University of Hong Kong and was admitted as a solicitor in Hong Kong SAR, England and Wales and the State of Victoria, Australia. He is currently a partner and co-chairman of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong SAR, and has been practicing in the legal field for more than 40 years. Mr. Lai is a Notary Public and a China Appointed Attesting Officer in Hong Kong SAR. He is currently the past chairman, and an honorary council member, fellow member and the Corporate Governance Policies Committee chairman of The Hong Kong Institute of Directors, a member of the Process Review Panel for the Securities and Futures Commission of Hong Kong and a member of the Resolution Compensation Tribunal, a member of the Consents Committee of the Law Society of Hong Kong, a member of the Association of China-Appointed Attesting Officers Limited Disciplinary Tribunal Panel and a member of the Board of Governors of The Hang Seng University of Hong Kong. Mr. Lai is a non-executive director of Winfull Group Holdings Limited (stock code: 183) and China Medical & HealthCare Group Limited (stock code: 383), and an independent non-executive director of China Resources Beer (Holdings) Company Limited (stock code: 291), which all are listed on the Hong Kong Stock Exchange.

**Ms. Wang Jiaqian** (王佳茜), aged 44, is an Independent Non-Executive Director of the Company and joined the Board in July 2021. She holds a bachelor's degree in English from the Nanjing University and a master's degree in finance from the Peking University in China. She is currently Director of Planning and Governance of Chanel Asia Pacific and a member of Executive Leadership Committee of Chanel Mainland China of Chanel Limited, leading strategic planning cycle and client-centric data transformation businesses. Ms. Wang was employed by Boston Consulting Group, a global management consulting firm, from September 2010 to June 2019 with her last position as Managing Director and Global Partner. She has over 15 years of experience in strategy and business consulting in retail and consumer products sector.

**Ms. Xia Lian** (夏蓮), aged 44, is an Independent Non-Executive Director of the Company and joined the Board in July 2022. She holds a bachelor's degree in marketing from the Peking University in China and a master's degree in executive master in change from European Institute of Business Administration (INSEAD). She is currently an executive director and the general manager of Vista Education Technology (Shenzhen) Co., Ltd.\* (遠見教育科技(深圳)有限公司) and a director of China Publishing Group Kunlun Media Co. Ltd.\* (中版昆侖傳媒有限公司), and has over 20 years of experience in business administration and business consultancy. Ms. Xia was employed by Cheung Kong Graduate School of Business from April 2007 to August 2020 with her last position as an assistant dean. Ms. Xia is an independent director of Shanying International Holding Co., Ltd.\* (山鷹國際控股股份公司) (stock code: 600567), a company listed on the Shanghai Stock Exchange.

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

## Directors, Company Secretary and Senior Management

### Company Secretary

**Mr. Tse Kin Chung** (謝建聰), aged 42, 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, the Co-CEOs and the CFO are regarded as members of the Group's senior management.

# Independent Auditor's Report



**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 139 to 212, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022 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.

# Independent Auditor's Report

## Key audit matter

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

### Valuation of inventories

Refer to note 18 to the consolidated financial statements on page 159 and the accounting policy (K) on page 195.

#### The key audit matter

The Group adopts direct to consumer business model for the ANTA brand for certain regions in Mainland China. Together with direct retail business model for FILA and other brands in Mainland China and other territories, a significant level of inventory is maintained to support the Group's overall operations.

Inventories are stated at 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.

Management applies judgement in determining the net realisable value of inventories. Net realisable value is determined by management based upon a detailed analysis of the ageing profile of the inventories, with reference to the current marketability and latest selling prices of the respective inventories and the current retail market conditions existing at the end of the reporting period.

We identified the valuation of inventories as a key audit matter as significant management judgement is involved in determining the net realisable value of inventories.

#### How the matter was addressed in our audit

Our audit procedures to assess the valuation of inventories included the following:

- performing a retrospective review by comparing the carrying values of inventories as at 31 December 2021 with sales prices achieved during the reporting period to assess the reliability of management's judgement and whether there is any indication of management bias;
- evaluating the historical accuracy of management's assessment of net realisable value of inventories by examining, on a sample basis, the sales and utilisation during the current reporting period;
- enquiring of the management about any expected changes in plans for markdowns or disposals of off-season inventories and comparing, on a sample basis, the carrying value of inventories to actual prices for sales transactions subsequent to the end of reporting period;
- evaluating the reasonableness of the percentages and other parameters adopted in the Group's policy on the net realisable value calculation by comparing the net realisable value with selling price achieved subsequent to the end of reporting period;
- assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing the individual items selected with the underlying records which indicated the product season of the item; and
- assessing whether the net realisable value of inventories and the subsequent write-down of inventories (if any) at the end of reporting period were calculated in a manner consistent with the Group's policy by recalculating based on percentages and other parameters adopted and considering the application of the Group's policy with reference to the requirements of the prevailing accounting standards.

## **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.

## Independent Auditor's Report

- 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, actions taken to eliminate threats or safeguards applied.

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.

The logo for KPMG, consisting of the letters 'KPMG' in a stylized, handwritten font.

**KPMG**

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

21 March 2023

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Note	2022 RMB'million	2021 RMB'million
Revenue	1(a)	53,651	49,328
Cost of sales		(21,333)	(18,924)
<b>Gross profit</b>		<b>32,318</b>	30,404
Other net income	2	2,128	1,266
Selling and distribution expenses		(19,629)	(17,753)
Administrative expenses		(3,587)	(2,928)
<b>Profit from operations</b>		<b>11,230</b>	10,989
Net finance income	3	97	332
Share of profit/(loss) of a joint venture	16	28	(81)
<b>Profit before taxation</b>	4	<b>11,355</b>	11,240
Taxation	5	(3,110)	(3,021)
<b>PROFIT FOR THE YEAR</b>		<b>8,245</b>	8,219
<b>Other comprehensive income/(loss) for the year</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		741	(341)
Share of other comprehensive (loss)/income of a joint venture	16	(21)	329
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)		(63)	22
Share of other comprehensive income of a joint venture	16	35	48
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>8,937</b>	8,277
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		7,590	7,720
Non-controlling interests		655	499
<b>PROFIT FOR THE YEAR</b>		<b>8,245</b>	8,219
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		8,282	7,778
Non-controlling interests		655	499
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>8,937</b>	8,277
<b>Earnings per share</b>	8	<b>RMB</b>	RMB
– Basic		2.82	2.87
– Diluted		2.76	2.81

The notes, significant accounting policies and principal subsidiaries on pages 143 to 212 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 28.

# Consolidated Statement of Financial Position

As at 31 December 2022

	Note	2022 RMB'million	2021 RMB'million
<b>Non-current assets</b>			
Property, plant and equipment	10	3,716	2,853
Right-of-use assets	11	8,015	6,611
Construction in progress	12	1,058	926
Other non-current assets	13	544	43
Intangible assets	14	1,480	1,531
Investment in a joint venture	16	9,343	9,027
Other investments	17	1,065	722
Deferred tax assets	25(b)	1,378	1,053
<b>Total non-current assets</b>		<b>26,599</b>	<b>22,766</b>
<b>Current assets</b>			
Inventories	18	8,490	7,644
Trade receivables	19	2,978	3,296
Other current assets	19	2,822	3,618
Other investments	17	618	763
Pledged deposits	20	5	4
Fixed deposits held at banks with maturity over three months	20	10,305	6,985
Cash and cash equivalents	20	17,378	17,592
<b>Total current assets</b>		<b>42,596</b>	<b>39,902</b>
<b>Total assets</b>		<b>69,195</b>	<b>62,668</b>
<b>Current liabilities</b>			
Borrowings	21	12,198	1,748
Trade payables	22	2,750	3,146
Other current liabilities	22	6,145	6,930
Payable to non-controlling interests		53	39
Lease liabilities		2,867	2,237
Amounts due to related parties	31(b)	25	27
Current taxation	25(a)	2,169	1,816
<b>Total current liabilities</b>		<b>26,207</b>	<b>15,943</b>
<b>Net current assets</b>		<b>16,389</b>	<b>23,959</b>
<b>Total assets less current liabilities</b>		<b>42,988</b>	<b>46,725</b>
<b>Non-current liabilities</b>			
Borrowings	21	492	11,425
Payable to non-controlling interests		28	74
Lease liabilities		3,938	2,908
Deferred tax liabilities	25(b)	691	655
<b>Total non-current liabilities</b>		<b>5,149</b>	<b>15,062</b>
<b>Total liabilities</b>		<b>31,356</b>	<b>31,005</b>
<b>Net assets</b>		<b>37,839</b>	<b>31,663</b>
<b>Equity</b>			
Share capital	26	262	261
Reserves	27	34,138	28,662
<b>Total equity attributable to equity shareholders of the Company</b>		<b>34,400</b>	<b>28,923</b>
<b>Non-controlling interests</b>		<b>3,439</b>	<b>2,740</b>
<b>Total liabilities and equity</b>		<b>69,195</b>	<b>62,668</b>

The notes, significant accounting policies and principal subsidiaries on pages 143 to 212 form part of these financial statements.



**Ding Shizhong**  
Chairman and Executive Director

Hong Kong SAR, 21 March 2023



**Lai Shixian**  
Executive Director and Co-Chief Executive Officer

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Attributable to equity shareholders of the Company			Non- controlling interests RMB'million	Total equity RMB'million
		Share capital RMB'million	Reserves RMB'million	Total RMB'million		
<b>Balances as at 1 January 2021</b>		261	23,752	24,013	1,811	25,824
<b>Changes in equity for 2021:</b>						
– Profit for the year		–	7,720	7,720	499	8,219
– Other comprehensive income for the year		–	58	58	–	58
Total comprehensive income for the year		–	7,778	7,778	499	8,277
Dividends approved in respect of the previous year	28(b)	–	(1,054)	(1,054)	–	(1,054)
Dividends declared in respect of the current year	28(a)	–	(2,026)	(2,026)	–	(2,026)
Equity-settled share-based payment transactions	27(f)	–	168	168	–	168
Share of other reserves of a joint venture	16	–	44	44	–	44
Capital contribution by non-controlling interests of subsidiaries		–	–	–	475	475
Dividends to non-controlling interests of subsidiaries		–	–	–	(45)	(45)
<b>Balances as at 31 December 2021 and 1 January 2022</b>		<b>261</b>	<b>28,662</b>	<b>28,923</b>	<b>2,740</b>	<b>31,663</b>
<b>Changes in equity for 2022:</b>						
– Profit for the year		–	7,590	7,590	655	8,245
– Other comprehensive income for the year		–	692	692	–	692
Total comprehensive income for the year		–	8,282	8,282	655	8,937
Dividends approved in respect of the previous year	28(b)	–	(1,578)	(1,578)	–	(1,578)
Dividends declared in respect of the current year	28(a)	–	(1,508)	(1,508)	–	(1,508)
Shares allotted and issued for share award scheme	24(b)	1	(1)	–	–	–
Equity-settled share-based payment transactions	27(f)	–	250	250	–	250
Share of other reserves of a joint venture	16	–	31	31	–	31
Capital contribution by non-controlling interests of subsidiaries		–	–	–	242	242
Dividends to non-controlling interests of subsidiaries		–	–	–	(198)	(198)
<b>Balances as at 31 December 2022</b>		<b>262</b>	<b>34,138</b>	<b>34,400</b>	<b>3,439</b>	<b>37,839</b>

The notes, significant accounting policies and principal subsidiaries on pages 143 to 212 form part of these financial statements.

# Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Note	2022 RMB'million	2021 RMB'million
<b>Operating activities</b>			
Profit before taxation		11,355	11,240
Adjustments for:			
– Depreciation of property, plant and equipment	10	860	443
– Depreciation of right-of-use assets	11	3,481	2,694
– Amortisation of intangible assets	14	123	129
– Dividend income	2	(2)	(2)
– Interest expenses	3	511	443
– Interest income	3	(609)	(392)
– Net loss on disposal of property, plant and equipment	2	2	9
– Net gain on disposal of right-of-use assets	2	(29)	–
– Reversal of impairment loss of trade receivables	4(b)	(4)	(22)
– Write-down of inventories	18(b)	414	75
– Share of (profit)/loss of a joint venture	16	(28)	81
– COVID-19-related rent concessions received		(59)	(18)
– Equity-settled share-based payment transactions	4(a)	250	168
– Net foreign exchange loss/(gain)		1	(382)
Changes in working capital			
– Increase in inventories		(1,260)	(2,233)
– Decrease/(increase) in trade receivables and other current assets		1,196	(178)
– Increase in other non-current assets		(494)	–
– (Decrease)/increase in trade payables and other current liabilities		(1,038)	2,121
– (Decrease)/increase in amounts due to related parties		(2)	8
<b>Cash generated from operations</b>		<b>14,668</b>	<b>14,184</b>
Income tax paid		(3,046)	(2,677)
Interest received		525	354
<b>Net cash generated from operating activities</b>		<b>12,147</b>	<b>11,861</b>
<b>Investing activities</b>			
Payments for purchase of property, plant and equipment		(974)	(779)
Payments for construction in progress		(647)	(581)
Payments for purchase of intangible assets		(115)	(94)
Payments for leasehold land		–	(39)
Net payments of other investments		(206)	(1,131)
Placements of pledged deposits		(1)	(6)
Uplift of pledged deposits		–	3
Placements of fixed deposits held at banks with maturity over three months		(21,574)	(19,451)
Uplift of fixed deposits held at banks with maturity over three months		18,737	17,349
Other cash flows derived from investing activities		6	60
<b>Net cash used in investing activities</b>		<b>(4,774)</b>	<b>(4,669)</b>
<b>Financing activities</b>			
Drawdowns of new bank loans	20(b)	2,805	652
Repayments of bank loans	20(b)	(4,208)	(848)
Payments of interest expense on bank loans	20(b)	(33)	(71)
Net proceeds from issuance of medium term notes	20(b)	500	–
Payments of interest expense on medium term notes	20(b)	(40)	(40)
Payments of lease liabilities	20(b)	(3,138)	(2,637)
Dividends paid to equity shareholders of the Company	28	(3,752)	(2,411)
Capital contribution by non-controlling interests of subsidiaries		242	475
Dividends paid to non-controlling interests of subsidiaries		(198)	(45)
Other cash flows derived from financing activities		(19)	(22)
<b>Net cash used in financing activities</b>		<b>(7,841)</b>	<b>(4,947)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(468)</b>	<b>2,245</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>17,592</b>	<b>15,323</b>
<b>Effect of foreign exchange rate changes</b>		<b>254</b>	<b>24</b>
<b>Cash and cash equivalents as at 31 December</b>	20(a)	<b>17,378</b>	<b>17,592</b>

The notes, significant accounting policies and principal subsidiaries on pages 143 to 212 form part of these financial statements.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 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, as detailed in note 16.

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:

	2022 RMB'million	2021 RMB'million
Footwear	22,471	19,139
Apparel	29,523	28,632
Accessories	1,657	1,557
	<b>53,651</b>	49,328

For the year ended 31 December 2022, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2021: Nil).

The Group has applied practical expedient in paragraph 121 of IFRS/HKFRS 15, *Revenue from Contracts with Customers* to exempt the disclosure of revenue expected to be recognised in the future arising from contracts with customers in existence at the end of reporting period as the performance obligation is part of a contract that has an original expected duration of one year or less.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 1. Revenue and Segment Reporting (Continued)

### (b) Segment reporting

The chief executive officer of the Company (or the co-chief executive officers (as applicable)) and senior management team are the Group's chief operating decision-makers (the "CODMs"). 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. Other than the two reportable segments, all other operating segments have been aggregated and presented as "all other brands". The segment information for the reporting period is as follows:

	ANTA brand RMB'million	FILA brand RMB'million	All other brands RMB'million	Headquarters and unallocated items RMB'million	Total RMB'million
<b>For the year ended 31 December 2022</b>					
<b>Revenue</b>					
– Revenue from external customers	27,723	21,523	4,405	–	53,651
<b>Gross profit</b>	<b>14,872</b>	<b>14,283</b>	<b>3,163</b>	<b>–</b>	<b>32,318</b>
<b>Results</b>					
– Net finance income	–	–	–	97	97
– Share of profit of a joint venture	–	–	–	28	28
<b>Profit before taxation</b>	<b>5,925</b>	<b>4,301</b>	<b>907</b>	<b>222</b>	<b>11,355</b>
<b>As at 31 December 2022</b>					
<b>Assets</b>					
– Investment in a joint venture	–	–	–	9,343	9,343
– Other investments	–	–	–	1,683	1,683
– Deferred tax assets	–	–	–	1,378	1,378
– Other assets	26,649	11,326	4,774	14,231	56,980
<i>Reconciliation:</i>					
– Elimination of internal borrowings	–	–	–	(189)	(189)
<b>Total assets</b>	<b>26,649</b>	<b>11,326</b>	<b>4,774</b>	<b>26,446</b>	<b>69,195</b>
<b>Liabilities</b>					
– Borrowings	–	–	–	12,690	12,690
– Current taxation	–	–	–	2,169	2,169
– Deferred tax liabilities	–	–	–	691	691
– Other liabilities	7,734	5,722	1,721	818	15,995
<i>Reconciliation:</i>					
– Elimination of internal borrowings	(23)	–	(166)	–	(189)
<b>Total liabilities</b>	<b>7,711</b>	<b>5,722</b>	<b>1,555</b>	<b>16,368</b>	<b>31,356</b>

## 1. Revenue and Segment Reporting (Continued)

### (b) Segment reporting (Continued)

	ANTA brand RMB'million	FILA brand RMB'million	All other brands RMB'million	Headquarters and unallocated items RMB'million	Total RMB'million
<b>For the year ended 31 December 2021</b>					
<b>Revenue</b>					
– Revenue from external customers	24,012	21,822	3,494	–	49,328
<b>Gross profit</b>	12,528	15,394	2,482	–	30,404
<b>Results</b>					
– Net finance income	–	–	–	332	332
– Share of loss of a joint venture	–	–	–	(81)	(81)
<b>Profit before taxation</b>	5,145	5,339	644	112	11,240
<b>As at 31 December 2021</b>					
<b>Assets</b>					
– Investment in a joint venture	–	–	–	9,027	9,027
– Other investments	–	–	–	1,485	1,485
– Deferred tax assets	–	–	–	1,053	1,053
– Other assets	21,995	12,851	3,972	12,550	51,368
<i>Reconciliation:</i>					
– Elimination of internal borrowings	–	–	–	(265)	(265)
<b>Total assets</b>	21,995	12,851	3,972	23,850	62,668
<b>Liabilities</b>					
– Borrowings	–	–	–	13,173	13,173
– Current taxation	–	–	–	1,816	1,816
– Deferred tax liabilities	–	–	–	655	655
– Other liabilities	6,904	5,968	1,485	1,269	15,626
<i>Reconciliation:</i>					
– Elimination of internal borrowings	(26)	–	(239)	–	(265)
<b>Total liabilities</b>	6,878	5,968	1,246	16,913	31,005

For reconciliation purpose, “Headquarters and unallocated items” is also presented in the segment information.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 2. Other Net Income

	2022 RMB'million	2021 RMB'million
Government grants <sup>(i)</sup>	1,903	1,166
Net loss on disposal of property, plant and equipment	(2)	(9)
Net gain on disposal of right-of-use assets	29	–
Dividend income from equity investments	2	2
Others	196	107
	<b>2,128</b>	<b>1,266</b>

(i) Government grants were received or receivable 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 at the discretion of the relevant authorities.

## 3. Net Finance Income

	2022 RMB'million	2021 RMB'million
Total interest income on financial assets measured at amortised cost	609	392
Net gain on forward foreign exchange contracts and currency option contracts	38	9
Other net foreign exchange gain	–	374
	<b>647</b>	<b>775</b>
Interest expense on lease liabilities	(303)	(205)
Total interest expense on other financial liabilities measured at amortised cost	(210)	(238)
Less: interest expenses capitalised into properties under development <sup>(i)</sup>	2	–
Other net foreign exchange loss	(39)	–
	<b>(550)</b>	<b>(443)</b>
<b>Net finance income</b>	<b>97</b>	<b>332</b>

(i) The borrowing costs have been capitalised at a rate of 2.80% per annum (2021: Nil).

## 4. Profit Before Taxation

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

	2022 RMB'million	2021 RMB'million
<b>(a) Staff costs<sup>(i)</sup> &amp; <sup>(ii)</sup>:</b>		
Salaries, wages and other benefits	6,819	5,868
Contributions to defined contribution retirement plans	1,051	632
Equity-settled share-based payment transactions (note 27(f))	250	168
	<b>8,120</b>	6,668
<b>(b) Other items:</b>		
Cost of inventories <sup>(i)</sup> (note 18(b))	21,333	18,924
Research and development costs <sup>(i)</sup> & <sup>(ii)</sup>	1,279	1,116
Subcontracting charges <sup>(i)</sup>	950	349
Depreciation <sup>(i)</sup>		
– Property, plant and equipment (note 10)	860	443
– Right-of-use assets (note 11)	3,481	2,694
Amortisation of intangible assets (note 14)	123	129
Reversal of impairment loss of trade receivables (note 19)	(4)	(22)
Variable lease payments not included in the measurement of lease liabilities	2,689	3,023
Auditor's remuneration	12	12

(i) Cost of inventories includes research and development costs, subcontracting charges, staff costs and depreciation, total amounting to RMB3,291 million (2021: RMB2,358 million).

(ii) Research and development costs include staff costs of employees in the research and development department, of which RMB555 million (2021: RMB392 million) are included in the staff costs as disclosed above.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 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:

	2022 RMB'million	2021 RMB'million
<b>Current tax</b>		
PRC Corporate Income Tax and income taxes of other tax jurisdictions	3,138	2,770
Dividends withholding tax	261	216
<b>Deferred tax (note 25(b))</b>		
Dividends withholding tax	(261)	(216)
Origination and reversal of other temporary differences	(28)	251
	<b>3,110</b>	3,021

(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 these 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 RMB3 million (2021: RMB3 million) was 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 reporting period.

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

	2022 RMB'million	2021 RMB'million
Profit before taxation	11,355	11,240
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	2,847	2,711
Tax effect of non-deductible expenses	14	113
Tax effect of non-taxable income	(36)	(67)
Tax effect of unused tax losses not recognised	115	34
Withholding tax on profits retained by Mainland China subsidiaries (note 5(a)(iii))	331	315
Effect of tax concessions (note 5(a)(i))	(161)	(85)
Actual tax expense	<b>3,110</b>	3,021

## 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 <sup>(Note)</sup> RMB'000	Total RMB'000
<b>Year ended 31 December 2022</b>						
<b>Executive Directors</b>						
Mr. Ding Shizhong	-	1,080	85	532	-	1,697
Mr. Ding Shijia	-	1,000	85	-	-	1,085
Mr. Lai Shixian	-	1,500	85	-	9,083	10,668
Mr. Wu Yonghua	-	2,000	85	-	-	2,085
Mr. Zheng Jie	-	11,231	133	3,600	-	14,964
Mr. Bi Mingwei <sup>(i)</sup>	-	2,391	98	555	2,725	5,769
	-	19,202	571	4,687	11,808	36,268
<b>Non-Executive Director</b>						
Mr. Wang Wenmo <sup>(ii)</sup>	500	-	-	-	-	500
<b>Independent Non-Executive Directors</b>						
Mr. Dai Zhongchuan <sup>(iii)</sup>	60	-	-	-	-	60
Mr. Yiu Kin Wah Stephen	1,046	-	-	-	-	1,046
Mr. Lai Hin Wing Henry Stephen	523	-	-	-	-	523
Ms. Wang Jiaqian <sup>(iv)</sup>	523	-	-	-	-	523
Ms. Xia Lian <sup>(v)</sup>	255	-	-	-	-	255
	2,407	-	-	-	-	2,407
<b>Total</b>	<b>2,907</b>	<b>19,202</b>	<b>571</b>	<b>4,687</b>	<b>11,808</b>	<b>39,175</b>
<b>Year ended 31 December 2021</b>						
<b>Executive Directors</b>						
Mr. Ding Shizhong	-	1,080	79	532	-	1,691
Mr. Ding Shijia	-	1,000	79	-	-	1,079
Mr. Lai Shixian	-	1,500	79	-	16,032	17,611
Mr. Wu Yonghua	-	2,000	79	-	-	2,079
Mr. Zheng Jie	-	11,026	121	3,600	-	14,747
Mr. Bi Mingwei <sup>(i)</sup>	-	838	43	380	1,951	3,212
	-	17,444	480	4,512	17,983	40,419
<b>Non-Executive Director</b>						
Mr. Wang Wenmo <sup>(ii)</sup>	1,000	-	-	-	-	1,000
<b>Independent Non-Executive Directors</b>						
Mr. Dai Zhongchuan <sup>(iii)</sup>	120	-	-	-	-	120
Mr. Yiu Kin Wah Stephen	1,005	-	-	-	-	1,005
Mr. Lai Hin Wing Henry Stephen	503	-	-	-	-	503
Ms. Wang Jiaqian <sup>(iv)</sup>	251	-	-	-	-	251
	1,879	-	-	-	-	1,879
<b>Total</b>	<b>2,879</b>	<b>17,444</b>	<b>480</b>	<b>4,512</b>	<b>17,983</b>	<b>43,298</b>

(i) Appointed as an executive director of the Company on 1 July 2021.

(ii) Resigned on 1 July 2022.

(iii) Resigned on 1 July 2022.

(iv) Appointed as an independent non-executive director of the Company on 1 July 2021.

(v) Appointed as an independent non-executive director of the Company on 1 July 2022.

Note: These represent the estimated value of awarded shares granted to the director(s) under the 2018 Share Award Scheme (note 24(b)). The value of these awarded shares is measured according to the Group's accounting policy (T)(ii) for share-based payment transactions.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 6. Directors' Emoluments (Continued)

During the reporting period, 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 reporting period.

## 7. Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments, 2 individuals (2021: 2 individuals) are also directors of the Company whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining 3 individuals (2021: 3 individuals) are as follows:

	2022 RMB'000	2021 RMB'000
Salaries and other emoluments	8,508	7,575
Discretionary bonuses	2,212	1,899
Equity-settled share-based payment transactions (note 27(f))	14,330	23,373
Contributions to retirement benefit scheme	373	223
	<b>25,423</b>	33,070

The 3 individuals (2021: 3 individuals) are neither senior management nor director of the Company. The emoluments of the 3 individuals (2021: 3 individuals) with the highest emoluments are within the following bands:

	Number of individuals	
	2022	2021
RMB6,000,001 to RMB6,500,000	1	–
RMB7,000,001 to RMB7,500,000	1	–
RMB10,500,001 to RMB11,000,000	–	2
RMB11,500,001 to RMB12,000,000	1	–
RMB12,500,001 to RMB13,000,000	–	1

## 8. Earnings Per Share

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the reporting period.

*Profit attributable to equity shareholders of the Company*

	2022 RMB'million	2021 RMB'million
<b>Profit attributable to equity shareholders of the Company</b>	<b>7,590</b>	7,720

*Weighted average number of ordinary shares*

	2022 '000 Shares	2021 '000 Shares
<b>Issued ordinary shares as at 1 January</b>	<b>2,703,329</b>	2,703,329
Effect of shares held under share award scheme	(19,784)	(14,321)
Effect of shares vested under share award scheme	1,257	1,326
Effect of shares allotted and issued for share award scheme	7,446	–
<b>Weighted average number of ordinary shares as at 31 December</b>	<b>2,692,248</b>	2,690,334

### (b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares, as adjusted for the effects of all dilutive potential ordinary shares.

*Profit attributable to equity shareholders of the Company (diluted)*

	2022 RMB'million	2021 RMB'million
Profit attributable to equity shareholders of the Company	7,590	7,720
Adjustment for interest on convertible bonds, net of tax	82	87
<b>Profit attributable to equity shareholders of the Company (diluted)</b>	<b>7,672</b>	7,807

*Weighted average number of ordinary shares (diluted)*

	2022 '000 Shares	2021 '000 Shares
<b>Weighted average number of ordinary shares as at 31 December</b>	<b>2,692,248</b>	2,690,334
Effect of awarded shares under share award scheme	4,569	2,724
Effect of conversion of convertible bonds	84,191	82,865
<b>Weighted average number of ordinary shares (diluted) as at 31 December</b>	<b>2,781,008</b>	2,775,923

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 9. Company-level Statement of Financial Position

	Note	2022 RMB'million	2021 RMB'million
<b>Non-current assets</b>			
Investments in subsidiaries	15	7,393	5,485
<b>Total non-current assets</b>		<b>7,393</b>	5,485
<b>Current assets</b>			
Other receivables		4	–
Amounts due from subsidiaries		12,721	12,178
Cash and cash equivalents		465	37
<b>Total current assets</b>		<b>13,190</b>	12,215
<b>Total assets</b>		<b>20,583</b>	17,700
<b>Current liabilities</b>			
Borrowings		1,027	40
Amounts due to subsidiaries		33	938
Other payables		–	670
<b>Total current liabilities</b>		<b>1,060</b>	1,648
<b>Net current assets</b>		<b>12,130</b>	10,567
<b>Total assets less current liabilities</b>		<b>19,523</b>	16,052
<b>Non-current liabilities</b>			
Borrowings		492	973
<b>Total liabilities</b>		<b>1,552</b>	2,621
<b>Net assets</b>		<b>19,031</b>	15,079
<b>Equity</b>			
Share capital	26	262	261
Reserves	27	18,769	14,818
<b>Total equity</b>		<b>19,031</b>	15,079
<b>Total liabilities and equity</b>		<b>20,583</b>	17,700

## 10. Property, Plant and Equipment

	Buildings RMB'million	Plant and machinery RMB'million	Furniture and fixtures RMB'million	Retail outlets leasehold improvements RMB'million	Motor vehicles RMB'million	Total RMB'million
<b>Cost:</b>						
<b>As at 1 January 2021</b>	2,096	456	537	378	55	3,522
Additions	30	31	95	613	8	777
Transfer from construction in progress (note 12)	265	24	60	–	4	353
Disposals	(7)	(19)	(34)	(24)	(3)	(87)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>2,384</b>	<b>492</b>	<b>658</b>	<b>967</b>	<b>64</b>	<b>4,565</b>
Additions	63	64	109	752	5	993
Transfer from construction in progress (note 12)	651	30	50	3	2	736
Disposals	–	(18)	(10)	(76)	(3)	(107)
<b>As at 31 December 2022</b>	<b>3,098</b>	<b>568</b>	<b>807</b>	<b>1,646</b>	<b>68</b>	<b>6,187</b>
<b>Accumulated depreciation:</b>						
<b>As at 1 January 2021</b>	577	178	342	208	33	1,338
Charge for the year (note 4)	94	37	77	227	8	443
Written back on disposals	(2)	(15)	(29)	(21)	(2)	(69)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>669</b>	<b>200</b>	<b>390</b>	<b>414</b>	<b>39</b>	<b>1,712</b>
Charge for the year (note 4)	121	42	98	591	8	860
Written back on disposals	–	(15)	(7)	(76)	(3)	(101)
<b>As at 31 December 2022</b>	<b>790</b>	<b>227</b>	<b>481</b>	<b>929</b>	<b>44</b>	<b>2,471</b>
<b>Net book value:</b>						
<b>As at 31 December 2022</b>	<b>2,308</b>	<b>341</b>	<b>326</b>	<b>717</b>	<b>24</b>	<b>3,716</b>
As at 31 December 2021	1,715	292	268	553	25	2,853

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

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 11. Right-of-Use Assets

	Leasehold land RMB'million	Properties leased for own use RMB'million	Total RMB'million
<b>Net book value:</b>			
<b>As at 1 January 2021</b>	1,404	2,704	4,108
Additions	39	5,324	5,363
Depreciation charge for the year (note 4)	(31)	(2,663)	(2,694)
Disposals	–	(166)	(166)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>1,412</b>	<b>5,199</b>	<b>6,611</b>
Additions	–	5,133	5,133
Depreciation charge for the year (note 4)	(31)	(3,450)	(3,481)
Disposals	–	(248)	(248)
<b>As at 31 December 2022</b>	<b>1,381</b>	<b>6,634</b>	<b>8,015</b>

Details of the maturity analysis of lease liabilities is set out in note 29(b).

### (a) Leasehold land

The Group has obtained land use rights of leasehold land for properties held for own use in Mainland China.

### (b) Properties leased for own use

The Group has obtained the right to use properties as its offices, 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 RMB5,910 million (2021: RMB5,621 million).

## 12. Construction in Progress

	2022 RMB'million	2021 RMB'million
<b>As at 1 January</b>	<b>926</b>	545
Additions	868	734
Transfer to property, plant and equipment (note 10)	(736)	(353)
<b>As at 31 December</b>	<b>1,058</b>	926

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

### 13. Other Non-current Assets

	2022 RMB'million	2021 RMB'million
Long-term rental deposits	494	–
Prepayments for acquisition of land use rights	3	3
Prepayments for acquisition of other non-current assets	47	40
	<b>544</b>	<b>43</b>

### 14. Intangible Assets

	Patents and trademarks RMB'million	Computer software RMB'million	Total RMB'million
<b>Cost:</b>			
<b>As at 1 January 2021</b>	1,646	306	1,952
Additions	–	81	81
<b>As at 31 December 2021 and 1 January 2022</b>	<b>1,646</b>	<b>387</b>	<b>2,033</b>
Additions	–	72	72
<b>As at 31 December 2022</b>	<b>1,646</b>	<b>459</b>	<b>2,105</b>
<b>Accumulated amortisation:</b>			
<b>As at 1 January 2021</b>	176	197	373
Charge for the year (note 4)	57	72	129
<b>As at 31 December 2021 and 1 January 2022</b>	<b>233</b>	<b>269</b>	<b>502</b>
Charge for the year (note 4)	42	81	123
<b>As at 31 December 2022</b>	<b>275</b>	<b>350</b>	<b>625</b>
<b>Net book value:</b>			
<b>As at 31 December 2022</b>	<b>1,371</b>	<b>109</b>	<b>1,480</b>
As at 31 December 2021	1,413	118	1,531

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 2022 are shown on pages 202 to 212.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16. Investment in a Joint Venture

	2022 RMB'million	2021 RMB'million
<b>As at 1 January</b>	<b>9,027</b>	9,658
Share of profit/(loss)	<b>28</b>	(81)
Share of other comprehensive income	<b>14</b>	377
Share of other reserves	<b>31</b>	44
Foreign currency translation differences	<b>243</b>	(971)
<b>As at 31 December</b>	<b>9,343</b>	9,027

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 ("AS Holding")	Cayman Islands/Worldwide	52.70%	57.70%

Amer Sports Oy ("Amer Sports") is a subsidiary owned by AS Holding and is a sporting goods company with internationally recognised brands including Arc'teryx, Salomon, Wilson, Peak Performance, Atomic, etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase 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.

The Group accounts for AS Holding as an investment in a joint venture using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards, as decisions about certain key activities of AS Holding require the consent of directors nominated by other shareholders.

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

## 16. Investment in a Joint Venture (Continued)

Summarised consolidated financial information of AS Holding, based on the latest available information to the Company and following the accounting policies adopted by the Group, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	2022 RMB'million	2021 RMB'million
Non-current assets	39,470	38,526
Current assets	15,044	11,932
Current liabilities	(9,023)	(6,195)
Non-current liabilities	(27,753)	(27,132)
Non-controlling interests	(9)	–
Equity attributable to equity shareholders	17,729	17,131
Included in the above assets and liabilities:		
Cash and cash equivalents	2,976	3,702
Current financial liabilities (excluding trade and other payables and provisions)	(1,445)	(223)
Non-current financial liabilities (excluding trade and other payables and provisions)	(22,004)	(21,360)
	2022 RMB'million	2021 RMB'million
Revenue	24,026	19,720
Post-tax profit/(loss) from continuing operations	175	(126)
Post-tax loss from discontinued operations	(125)	(28)
Other comprehensive income	24	714
Total comprehensive income	74	560
Included in the above profit/(loss):		
Depreciation and amortisation	(1,311)	(1,375)
Interest income	21	11
Interest expense	(877)	(964)
Income tax expense	(358)	(193)
Reconciliation to the Group's investment in a joint venture	2022 RMB'million	2021 RMB'million
AS Holding's net assets	17,738	17,131
Less: non-controlling interest	(9)	–
AS Holding's net assets attributable to equity shareholders	17,729	17,131
Group's effective interest	52.70%	52.70%
Group's share of AS Holding's net assets attributable to equity shareholders	9,343	9,027
<b>Carrying amount of the Group's investment</b>	<b>9,343</b>	<b>9,027</b>

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16. Investment in a Joint Venture (Continued)

A five-year EUR1,300 million (equivalent to RMB9,615 million) term loan facility ("Facility A") is provided by independent third party bank lenders to AS Holding 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) 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 AS Holding 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 2022, Facility A has been fully drawn by AS Holding.

## 17. Other Investments

	2022 RMB'million	2021 RMB'million
<b>Current</b>		
Financial instruments measured at amortised cost:		
– Listed debt securities	404	763
– Unlisted debt securities	214	–
	618	763
<b>Non-current</b>		
Equity instruments designated at FVOCI (non-recycling):		
– Unlisted equity investments <sup>(i)</sup>	87	65
– Listed perpetual bonds (equity investment in nature) <sup>(ii)</sup>	978	657
	1,065	722
<b>Total</b>	<b>1,683</b>	<b>1,485</b>

(i) The Group designated certain unlisted equity investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends with amount of RMB2 million were received on the unlisted equity investments during the reporting period (2021: RMB2 million).

(ii) The Group designated certain listed perpetual bonds (equity investment in nature) issued by a Big 4 domestic bank at FVOCI (non-recycling), as the investments are not held for trading purposes and are intended to be held for medium to long-term.

The movements of the above unlisted equity investments are as follows:

	2022 RMB'million	2021 RMB'million
<b>At 1 January</b>	<b>65</b>	<b>70</b>
Additions	1	–
Total unrealised gains recognised in other comprehensive income	21	9
Disposal	–	(14)
<b>At 31 December</b>	<b>87</b>	<b>65</b>

## 18. Inventories

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

	2022 RMB'million	2021 RMB'million
Raw materials	318	339
Work in progress	378	297
Finished goods	7,794	7,008
	<b>8,490</b>	7,644

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

	2022 RMB'million	2021 RMB'million
Carrying amount of inventories sold	20,919	18,849
Write-down of inventories	414	75
	<b>21,333</b>	18,924

## 19. Trade Receivables and Other Current Assets

	2022 RMB'million	2021 RMB'million
<b>Trade receivables</b>	<b>2,999</b>	3,321
Less: loss allowance	(21)	(25)
	<b>2,978</b>	3,296
<b>Other current assets:</b>		
Other assets in relation to refunds (note 22)	77	96
Advance payments to suppliers	577	888
Deposits and other prepayments	1,093	1,557
VAT deductible	278	762
Interest receivables	163	73
Others	634	242
	<b>2,822</b>	3,618

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 19. Trade Receivables and Other Current Assets (Continued)

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:

	2022 RMB'million	2021 RMB'million
Current	2,975	3,278
Less than 3 months past due	16	17
Past due over 3 months	8	26
	2,999	3,321

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

	2022 RMB'million	2021 RMB'million
<b>As at 1 January</b>	25	47
Reversal of impairment loss recognised (note 4)	(4)	(22)
<b>As at 31 December</b>	21	25

The Group normally grants a credit period of 30 to 90 days to its debtors. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29(a).

## 20. Cash and Cash Equivalents, Fixed Deposits held at Banks, Pledged Deposits and Other Cash Flow Information

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

	2022 RMB'million	2021 RMB'million
Fixed deposits with banks within three months to maturity when placed	4,613	9,444
Cash at bank and in hand	5,785	2,498
Short-term investments <sup>(i)</sup>	6,980	5,650
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	17,378	17,592
Fixed deposits with banks with more than three months to maturity when placed	10,305	6,985
Pledged deposits <sup>(ii)</sup>	5	4
<b>Total<sup>(iii)</sup></b>	<b>27,688</b>	<b>24,581</b>

(i) The short-term investments comprise national debt reverse repurchase products, being highly liquid debt securities with fixed maturities (within three months from subscription date) and determinable returns, and subject to insignificant risk of changes in value.

(ii) As at 31 December 2022, certain bank deposits have been pledged as security for certain contracts.

(iii) As at 31 December 2022, the balances, deposits and short-term investments that were placed with banks and financial institutions in Mainland China amounted to RMB21,156 million (2021: RMB20,897 million). Remittance of funds out of Mainland China is subject to applicable laws and regulations of foreign exchange control.

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

### (a) Cash and cash equivalents, fixed deposits held at banks and pledged deposits comprise: (Continued)

As at the end of the reporting period, all balances, deposits and short-term investments were placed with highly reputable and sizeable banks and financial institutions without significant credit risk. The breakdown by placement banks/financial institutions is as follows:

	2022 RMB'million	2021 RMB'million
Big 4 domestic banks (and its subsidiaries)	8,283	7,862
Other reputable and sizeable domestic shareholding commercial banks (and its subsidiaries)	10,078	9,832
Reputable domestic non-bank financial institutions	6,980	5,650
Highly reputable and sizeable foreign-owned banks	2,347	1,237
	<b>27,688</b>	24,581

Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The breakdown by currency is as follows:

	2022 RMB'million	2021 RMB'million
Renminbi	19,636	16,931
United States Dollars	6,157	7,416
Euro	1,626	36
Hong Kong Dollars	174	125
Singapore Dollars	53	46
Others	42	27
	<b>27,688</b>	24,581

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

### (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'million	Bills payable (financing in nature) RMB'million	Convertible bonds RMB'million	Medium term notes RMB'million	Lease liabilities RMB'million	Total RMB'million
<b>As at 1 January 2022</b>	4,218	1,000	6,942	1,013	5,145	18,318
<b>Changes from financing cash flows:</b>						
Drawdown of new bank loans	2,805	-	-	-	-	2,805
Repayment of bank loans	(4,208)	-	-	-	-	(4,208)
Payments of interest expense on bank loans	(33)	-	-	-	-	(33)
Proceed from bills of exchange	-	1,500	-	-	-	1,500
Repayment of bills of exchange	-	(1,500)	-	-	-	(1,500)
Net proceeds from issuance of medium term notes	-	-	-	500	-	500
Payments of interest expense on medium term notes	-	-	-	(40)	-	(40)
Payments of lease liabilities	-	-	-	-	(3,138)	(3,138)
Total changes from financing cash flows	(1,436)	-	-	460	(3,138)	(4,114)
<b>Other changes:</b>						
Increase in lease liabilities from entering into new leases	-	-	-	-	4,831	4,831
Interest expenses	64	16	84	46	303	513
COVID-19-related rent concessions received	-	-	-	-	(59)	(59)
Foreign currency translation differences	113	-	186	-	-	299
Others	-	(16)	-	-	(277)	(293)
Total other changes	177	-	270	46	4,798	5,291
<b>As at 31 December 2022</b>	2,959	1,000	7,212	1,519	6,805	19,495

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

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

	Bank loans RMB'million	Bills payable (financing in nature) RMB'million	Convertible bonds RMB'million	Medium term notes RMB'million	Lease liabilities RMB'million	Total RMB'million
<b>As at 1 January 2021</b>	4,801	1,000	7,610	1,013	2,519	16,943
<b>Changes from financing cash flows:</b>						
Drawdowns of new bank loans	652	-	-	-	-	652
Repayments of bank loans	(848)	-	-	-	-	(848)
Payments of interest expense on bank loans	(71)	-	-	-	-	(71)
Payments of interest expense on medium term notes	-	-	-	(40)	-	(40)
Proceed from bills of exchange	-	1,000	-	-	-	1,000
Repayment of bills of exchange	-	(1,000)	-	-	-	(1,000)
Payments of lease liabilities	-	-	-	-	(2,637)	(2,637)
Total changes from financing cash flows	(267)	-	-	(40)	(2,637)	(2,944)
<b>Other changes:</b>						
Increase in lease liabilities from entering into new leases	-	-	-	-	5,249	5,249
Interest expenses	88	23	87	40	205	443
COVID-19-related rent concessions received	-	-	-	-	(18)	(18)
Foreign currency translation differences	(404)	-	(755)	-	-	(1,159)
Others	-	(23)	-	-	(173)	(196)
Total other changes	(316)	-	(668)	40	5,263	4,319
<b>As at 31 December 2021</b>	4,218	1,000	6,942	1,013	5,145	18,318

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 21. Borrowings

	Note	2022 RMB'million	2021 RMB'million
<b>Current</b>			
Bank loans	(a)	2,959	708
Bills payable (financing in nature)	(b)	1,000	1,000
Convertible bonds	(c)	7,212	–
Medium term notes	(d)	1,027	40
		<b>12,198</b>	1,748
<b>Non-Current</b>			
Bank loans	(a)	–	3,510
Convertible bonds	(c)	–	6,942
Medium term notes	(d)	492	973
		<b>492</b>	11,425
<b>Total</b>		<b>12,690</b>	13,173

### (a) Bank loans

All bank loans were unsecured, denominated in Euro or United States Dollars, and measured at amortised cost.

### (b) Bills payable (financing in nature)

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

## 21. Borrowings (Continued)

### (c) Convertible Bonds

On 5 February 2020, the Group completed the issuance of EUR1.0 billion zero coupon convertible bonds due on 5 February 2025 and the convertible bonds are listed on the Singapore Stock Exchange.

Each convertible bonds could, at the option of the holder, be convertible on or after the date which is 41 days after 5 February 2020 up to the date falling 10 days prior to 5 February 2025 into fully paid ordinary shares with a par value of HKD0.10 each of the Company (the "Shares"). The number of Shares to be issued shall be determined by dividing the principal amount of the convertible bonds to be converted (translated into Hong Kong dollars at the pre-determined fixed rate of HKD8.6466 = EUR1.00 under the terms and conditions of the convertible bonds) by the conversion price in effect on the relevant conversion date. On 31 December 2022, assuming full conversion of the convertible bonds at the applicable conversion price of HKD101.90 per Share on that date, the convertible bonds will be convertible into 84,853,778 conversion shares.

The outstanding principal amount of the convertible bonds is repayable by the Group upon the maturity of the convertible bonds on 5 February 2025, if not previously redeemed, converted or purchased and cancelled. Pursuant to the terms and conditions of the convertible bonds, on 5 February 2023 (the "Optional Put Date"), the holder of each convertible bonds had the right at such holder's option (the "Put Option"), to require the Group to redeem all or some only of such holder's convertible bonds on the Optional Put Date at their principal amount. Accordingly, under applicable financial reporting standard, at the end of the reporting period, the convertible bonds were deemed to be due on the Optional Put Date and were classified as current in nature. The convertible bonds may be redeemed, on giving not less than 30 nor more than 60 days' notice to the bondholders, in whole but not in part, at its option of the Group, at their principal amount on the date specified in the optional redemption notice, at any time if prior to the date the relevant optional redemption notice is given, conversion rights have been exercised and/or purchased (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in aggregate principal amount of the convertible bonds originally issued.

At initial recognition, the liability component is measured at fair value based on the principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The remainder of the proceeds is allocated to the conversion option as the equity component. Transaction costs associated with the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost calculated using the effective interest method.

During the reporting period, there was no conversion nor redemption of convertible bonds.

Since the Group (via payment agent) did not receive any notice in relation to the Put Option up to the end of the notice period, none of the holders of the convertible bonds exercised the Put Option and no redemption of the convertible bonds was required under the terms and conditions of the convertible bonds. The convertible bonds would be reclassified as non-current in nature on the Optional Put Date.

### (d) Medium term notes

Medium term notes were unsecured, denominated in Renminbi and measured at amortised cost.

In July 2022, the Group completed issuance of green medium term notes, with an aggregate principal amount of RMB500 million at a coupon rate 2.80% per annum. The green medium term notes will mature in three years from the issue date. The gross and net proceeds from the issue of green medium term notes were RMB500 million and approximately RMB500 million respectively.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 22. Trade Payables and Other Current Liabilities

	2022 RMB'million	2021 RMB'million
<b>Trade payables</b>	<b>2,750</b>	3,146
<b>Other current liabilities:</b>		
Refund liabilities <sup>(i)</sup>	166	176
Contract liabilities <sup>(ii) &amp; (iii)</sup>	993	959
Construction costs payables	402	256
VAT and other taxes payables	629	731
Accruals	2,384	2,402
Dividends payable to equity shareholders of the Company	–	669
Others	1,571	1,737
	<b>6,145</b>	6,930

(i) The Group recognises a refund liability for the consideration received or receivable of which the Group does not expect to be entitled. The Group also recognises other assets in relation to refunds, measured with reference to the former carrying amount of the products (see note 19). The costs to recover the products are not material because the product returned are usually in a saleable condition.

(ii) Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to RMB791 million (2021: RMB876 million) was recognised in the reporting period.

(iii) A contract liability is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

All of the trade payables 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:

	2022 RMB'million	2021 RMB'million
Within 3 months	2,707	3,131
3 months to 6 months	28	3
Over 6 months	15	12
	<b>2,750</b>	3,146

## 23. 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 HKD30,000. Contributions to the plan vest immediately.

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

## 24. Equity-settled Share-based Payment Transactions

### (a) Share option scheme

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 6 April 2017, the Company adopted a share option scheme (the “2017 Share Option Scheme”). The 2017 Share Option Scheme shall be valid and effective for a period of ten years from the adoption of the scheme on 6 April 2017.

The purpose of the 2017 Share Option Scheme is to motivate eligible persons (as defined in the 2017 Share Option Scheme) 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 2017 Share Option Scheme), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

No options were granted under the 2017 Share Option Scheme since the adoption of the scheme. No options were granted, exercised, lapsed or cancelled under the 2017 Share Option Scheme during the reporting period. As at 31 December 2022, there were no outstanding options under the 2017 Share Option Scheme.

### (b) Share award scheme

The Company adopted a share award scheme (the “2018 Share Award Scheme”) on 19 October 2018 in which employees of the Group are entitled to participate, and shall be valid and effective for a term of ten years commencing on the adoption date. The specific objectives of the 2018 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 2018 Share Award Scheme, the professional trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the scheme could use the cash contributed by the Group to purchase from open market or subscribe (as the case may be) the shares of the Company, and hold the shares in the trust for selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the scheme.

Unless otherwise determined by the Board and specified in the grant notice, the Group and/or grantee shall achieve the performance conditions set out in the grant notice before the award shares can be vested.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 24. Equity-settled Share-based Payment Transactions (Continued)

### (b) Share award scheme (Continued)

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

	Number of awarded shares '000	Vesting conditions
<b>Awarded shares granted to a director:</b>		
– on 5 November 2019	1,000	0.5 years to 4.5 years from the date of grant
<b>Awarded shares granted to employees:</b>		
– on 5 November 2019	10,170	0.5 years to 4.5 years from the date of grant
– on 2 November 2020	890	0.5 years to 4.5 years from the date of grant
– on 1 November 2021	849	0.5 years to 4.5 years from the date of grant
– on 4 April 2022	10,295	3 years to 5 years from the date of grant
– on 1 November 2022	226	0.5 years to 4.5 years from the date of grant
<b>Total awarded shares</b>	<b>23,430</b>	

The fair values per awarded share granted on 4 April 2022 and 1 November 2022 were HKD98.50 and HKD73.40 respectively, which were 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.

During the reporting period, no ordinary shares (2021: Nil) in the Company were purchased from open market by the trustee of the 2018 Share Award Scheme.

During the reporting period, for the purpose of granting awarded shares pursuant to the 2018 Share Award Scheme, 10,294,500 ordinary shares (2021: Nil) were allotted and issued at par value to the trustee of the 2018 Share Award Scheme. No new funds were raised as a result of the aforesaid allotment and issue of new shares.

During the reporting period, 1,879,816 awarded shares (2021: 1,983,416) with a total amount of RMB105 million (2021: RMB110 million) were vested, resulting in the transfer out of RMB138 million (2021: RMB140 million) from the share-based compensation reserve, with the difference of RMB33 million (2021: RMB30 million) credited to share premium account. 1,644,865 awarded shares were lapsed during the reporting period (2021: 464,584).

In December 2022, the Company entered into supplemental agreements with certain grantees to modify the vesting schedule and certain non-market performance conditions under the original grant notices. The modification of terms and conditions did not result in any incremental fair value on the relevant awarded shares.

As at 31 December 2022, the total number of awarded shares granted but not vested (subject to certain vesting conditions) under the 2018 Share Award Scheme was 14,154,899 (2021: 7,158,835).

## 25. 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 RMB2,162 million (2021: RMB1,811 million) and income taxes in other tax jurisdictions of RMB7 million (2021: RMB5 million).

### (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 reporting period are as follows:

Deferred tax arising from:	Dividend withholding tax RMB'million	Other deferred tax liabilities RMB'million	Accruals RMB'million	Other deferred tax assets RMB'million	Total RMB'million
<b>As at 1 January 2021</b>	492	35	(378)	(582)	(433)
Charged/(credited) to profit or loss (note 5(a))	315	29	53	(146)	251
Released upon distribution of dividends (note 5(a)(iii))	(216)	-	-	-	(216)
<b>As at 31 December 2021 and 1 January 2022</b>	<b>591</b>	<b>64</b>	<b>(325)</b>	<b>(728)</b>	<b>(398)</b>
Charged/(credited) to profit or loss (note 5(a))	331	(34)	15	(340)	(28)
Released upon distribution of dividends (note 5(a)(iii))	(261)	-	-	-	(261)
<b>As at 31 December 2022</b>	<b>661</b>	<b>30</b>	<b>(310)</b>	<b>(1,068)</b>	<b>(687)</b>

#### (ii) Reconciliation to the consolidated statement of financial position

	2022 RMB'million	2021 RMB'million
Amount recognised in the consolidated statement of financial position:		
- Deferred tax assets	(1,378)	(1,053)
- Deferred tax liabilities	691	655
	(687)	(398)

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

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

### (c) Deferred tax assets not recognised

As at 31 December 2022, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB910 million (2021: RMB704 million) of which RMB596 million (2021: RMB427 million) will expire within 5 years under the current tax legislation. These 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 2022, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in Mainland China amounted to RMB12,257 million (2021: RMB9,747 million). Deferred tax liabilities of RMB613 million (2021: RMB487 million) 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 Company has determined that these profits are not likely to be distributed in the foreseeable future.

## 26. Share Capital

	Par value HKD	Number of Shares '000	Nominal value of ordinary shares HKD'million
<b>Authorised:</b>			
<b>Ordinary shares</b>			
<b>As at 31 December 2021 and 2022</b>	<b>0.10</b>	<b>5,000,000</b>	<b>500</b>

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

	Par value HKD	Number of Shares '000	Nominal value of ordinary shares HKD'million	RMB'million
<b>Issued and fully paid:</b>				
<b>As at 1 January 2021, 31 December 2021 and 1 January 2022</b>	<b>0.10</b>	<b>2,703,329</b>	<b>270</b>	<b>261</b>
Shares allotted and issued for share award scheme (note 24(b))	0.10	10,295	1	1
<b>As at 31 December 2022</b>	<b>0.10</b>	<b>2,713,624</b>	<b>271</b>	<b>262</b>

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

## 27. Reserves

### The Group

		Shares held for share award scheme	Share premium	Capital reserve	Statutory reserve	Fair value reserve (non- recycling)	Exchange reserve	Share-based compensation reserve	Convertible bonds related reserve	Share of reserves of a joint venture	Retained profits	Total
	Note	RMB'million Note 24(b)	RMB'million Note 27(a)	RMB'million Note 27(b)	RMB'million Note 27(c)	RMB'million Note 27(d)	RMB'million Note 27(e)	RMB'million Note 27(f)	RMB'million	RMB'million	RMB'million	RMB'million
<b>Balances as at 1 January 2021</b>		(797)	4,618	176	1,561	25	(394)	267	463	(352)	18,185	23,752
<b>Changes in equity for 2021:</b>												
- Profit for the year		-	-	-	-	-	-	-	-	-	7,720	7,720
- Other comprehensive income/(loss) for the year		-	-	-	-	22	(341)	-	-	377	-	58
Total comprehensive income for the year		-	-	-	-	22	(341)	-	-	377	7,720	7,778
Dividends approved in respect of the previous year	28(b)	-	-	-	-	-	-	-	-	-	(1,054)	(1,054)
Dividends declared in respect of the current year	28(a)	-	-	-	-	-	-	-	-	-	(2,026)	(2,026)
Equity-settled share-based payment transactions	27(f)	-	-	-	-	-	-	168	-	-	-	168
Vesting of awarded shares of share award scheme	24(b)	110	30	-	-	-	-	(140)	-	-	-	-
Share of other reserves of a joint venture	16	-	-	-	-	-	-	-	-	44	-	44
Appropriation to statutory reserve	27(c)	-	-	-	162	-	-	-	-	-	(162)	-
<b>Balances as at 31 December 2021 and 1 January 2022</b>		<b>(687)</b>	<b>4,648</b>	<b>176</b>	<b>1,723</b>	<b>47</b>	<b>(735)</b>	<b>295</b>	<b>463</b>	<b>69</b>	<b>22,663</b>	<b>28,662</b>
<b>Changes in equity for 2022:</b>												
- Profit for the year		-	-	-	-	-	-	-	-	-	7,590	7,590
- Other comprehensive income/(loss) for the year		-	-	-	-	(63)	741	-	-	14	-	692
Total comprehensive income for the year		-	-	-	-	(63)	741	-	-	14	7,590	8,282
Dividends approved in respect of the previous year	28(b)	-	-	-	-	-	-	-	-	-	(1,578)	(1,578)
Dividends declared in respect of the current year	28(a)	-	-	-	-	-	-	-	-	-	(1,508)	(1,508)
Shares allotted and issued for share award scheme	24(b)	(1)	-	-	-	-	-	-	-	-	-	(1)
Equity-settled share-based payment transactions	27(f)	-	-	-	-	-	-	250	-	-	-	250
Vesting of awarded shares of share award scheme	24(b)	105	33	-	-	-	-	(138)	-	-	-	-
Share of other reserves of a joint venture	16	-	-	-	-	-	-	-	-	31	-	31
Appropriation to statutory reserve	27(c)	-	-	-	204	-	-	-	-	-	(204)	-
<b>Balances as at 31 December 2022</b>		<b>(583)</b>	<b>4,681</b>	<b>176</b>	<b>1,927</b>	<b>(16)</b>	<b>6</b>	<b>407</b>	<b>463</b>	<b>114</b>	<b>26,963</b>	<b>34,138</b>

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 27. Reserves (Continued)

### The Company

		Shares held for share award scheme	Share premium	Exchange reserve	Share-based compensation reserve	Convertible bonds related reserve	Retained profits	Total reserves
	Note	RMB'million Note 24(b)	RMB'million Note 27(a)	RMB'million Note 27(e)	RMB'million Note 27(f)	RMB'million	RMB'million	RMB'million
<b>Balances as at 1 January 2021</b>		(797)	4,618	(945)	267	463	5,640	9,246
<b>Changes in equity for 2021:</b>								
- Profit for the year		-	-	-	-	-	8,713	8,713
- Other comprehensive loss for the year		-	-	(229)	-	-	-	(229)
Total comprehensive income for the year		-	-	(229)	-	-	8,713	8,484
Dividends approved in respect of the previous year	28(b)	-	-	-	-	-	(1,054)	(1,054)
Dividends declared in respect of the current year	28(a)	-	-	-	-	-	(2,026)	(2,026)
Equity-settled share-based payment transactions	27(f)	-	-	-	168	-	-	168
Vesting of awarded shares of share award scheme	24(b)	110	30	-	(140)	-	-	-
<b>Balances as at 31 December 2021 and 1 January 2022</b>		<b>(687)</b>	<b>4,648</b>	<b>(1,174)</b>	<b>295</b>	<b>463</b>	<b>11,273</b>	<b>14,818</b>
<b>Changes in equity for 2022:</b>								
- Profit for the year		-	-	-	-	-	5,538	5,538
- Other comprehensive income for the year		-	-	1,250	-	-	-	1,250
Total comprehensive income for the year		-	-	1,250	-	-	5,538	6,788
Dividends approved in respect of the previous year	28(b)	-	-	-	-	-	(1,578)	(1,578)
Dividends declared in respect of the current year	28(a)	-	-	-	-	-	(1,508)	(1,508)
Shares allotted and issued for share award scheme	24(b)	(1)	-	-	-	-	-	(1)
Equity-settled share-based payment transactions	27(f)	-	-	-	250	-	-	250
Vesting of awarded shares of share award scheme	24(b)	105	33	-	(138)	-	-	-
<b>Balances as at 31 December 2022</b>		<b>(583)</b>	<b>4,681</b>	<b>76</b>	<b>407</b>	<b>463</b>	<b>13,725</b>	<b>18,769</b>

## 27. Reserves (Continued)

### (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 2022 was HKD20,624 million (2021: HKD17,909 million).

### (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 HKD144 million (equivalent to RMB141 million) were assigned to Anta Enterprise at a consideration of HKD1.0. 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 RMB35 million) 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 at FVOCI under IFRS/HKFRS 9, *Financial Instruments* 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 of the Company and employees of the Group.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 27. Reserves (Continued)

### (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 and regularly 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.

## 28. Dividends

### (a) Dividends payable to equity shareholders of the Company attributable to the current financial year

	2022 RMB'million	2021 RMB'million
Interim dividend declared and paid of HK62 cents per ordinary share (2021: HK60 cents per ordinary share)	1,508	1,357
Special interim dividend declared and paid in respect of the year ended 31 December 2021 of HK30 cents per ordinary share	–	666
Final dividend recommended after the end of the reporting period of HK72 cents per ordinary share (2021: HK68 cents per ordinary share)	1,712	1,578
	<b>3,220</b>	<b>3,601</b>

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

	2022 RMB'million	2021 RMB'million
Special interim dividend in respect of the year ended 31 December 2021, approved in the previous financial year and paid during the financial year, of HK30 cents per ordinary share (2020: Nil)	666	–
Final dividend in respect of the year ended 31 December 2021, approved and paid during the financial year, of HK68 cents per ordinary share (2020: HK47 cents per ordinary share)	1,578	1,054
Total	<b>2,244</b>	<b>1,054</b>

## 29. 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 listed and unlisted debt securities measured at amortised cost, pledged deposits, bank deposits and cash and cash equivalents are limited because the counterparties are either highly reputable and sizeable banks and financial institutions or the Government of the PRC for which the Group considers to have low credit risk. The Group's exposure to credit risk arising from refundable rental deposits are considered to be low, given all rental arrangements were entered with landlords without significant credit risk.

Except for the financial guarantee given by the Group relating to a joint venture as set out in note 16, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not provide any other guarantees which would expose the Group to credit risk.

In respect of trade receivables, the Group has established a credit risk management policy under which individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Normally, the Group does not obtain collateral from debtors.

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each debtor rather than the industry or country in which the debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual debtors. At the end of the reporting period, 5% (2021: 3%) and 9% (2021: 8%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors respectively.

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 debtor segments, the loss allowance based on past due status is not further distinguished between the Group's different debtor bases.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 29. Financial Risk Management and Fair Values (Continued)

### (a) Credit risk (Continued)

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

	2022					
	Expected loss rate	Gross carrying amount excluding specific debtor(s)	Loss allowance excluding specific debtor(s)	Gross carrying amount of specific debtor(s)	Loss allowance of specific debtor(s)	Total loss allowance
		RMB'million	RMB'million	RMB'million	RMB'million	
Current	0.31%	2,975	(9)	-	-	(9)
Less than 3 months past due	46.85%	16	(8)	-	-	(8)
Past due over 3 months	50.00%	8	(4)	-	-	(4)
		2,999	(21)	-	-	(21)

	2021					
	Expected loss rate	Gross carrying amount excluding specific debtor(s)	Loss allowance excluding specific debtor(s)	Gross carrying amount of specific debtor(s)	Loss allowance of specific debtor(s)	Total loss allowance
		RMB'million	RMB'million	RMB'million	RMB'million	
Current	0.32%	3,278	(10)	-	-	(10)
Less than 3 months past due	9.39%	17	(2)	-	-	(2)
Past due over 3 months	50.00%	26	(13)	-	-	(13)
		3,321	(25)	-	-	(25)

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.

### (b) Liquidity risk

The Group's policy is to actively and regularly monitor its liquidity requirements and its compliance with lending covenants, 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.

## 29. Financial Risk Management and Fair Values (Continued)

### (b) Liquidity risk (Continued)

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

	Contractual undiscounted cash outflows					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
<b>As at 31 December 2022</b>						
<b>Non-derivative financial liabilities:</b>						
Bank loans	2,959	–	–	–	2,959	2,959
Bills payable (financing in nature)	1,000	–	–	–	1,000	1,000
Convertible bonds <sup>(Note)</sup>	7,396	–	–	–	7,396	7,212
Medium term notes	1,054	14	514	–	1,582	1,519
Trade payables	2,750	–	–	–	2,750	2,750
Other payables	5,979	–	–	–	5,979	5,979
Payable to non-controlling interests	53	28	–	–	81	81
Lease liabilities	3,105	1,869	1,890	562	7,426	6,805
Amounts due to related parties	25	–	–	–	25	25
	<b>24,321</b>	<b>1,911</b>	<b>2,404</b>	<b>562</b>	<b>29,198</b>	<b>28,330</b>
<b>As at 31 December 2021</b>						
<b>Non-derivative financial liabilities:</b>						
Bank loans	710	64	3,634	–	4,408	4,218
Bills payable (financing in nature)	1,000	–	–	–	1,000	1,000
Convertible bonds <sup>(Note)</sup>	–	7,205	–	–	7,205	6,942
Medium term notes	40	1,040	–	–	1,080	1,013
Trade payables	3,146	–	–	–	3,146	3,146
Other payables	6,754	–	–	–	6,754	6,754
Payable to non-controlling interests	39	48	26	–	113	113
Lease liabilities	2,401	1,496	1,403	347	5,647	5,145
Amounts due to related parties	27	–	–	–	27	27
	<b>14,117</b>	<b>9,853</b>	<b>5,063</b>	<b>347</b>	<b>29,380</b>	<b>28,358</b>

Note: As set out in note 21(c), the holder of each convertible bond had the right at such holder's option to require the Group to redeem all or some only of such holder's convertible bonds on 5 February 2023 at their principal amount. Accordingly, the contractual undiscounted cash outflow due to the redemption of the convertible bonds by the holder's put option was within 1 year at the end of the reporting period.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 29. Financial Risk Management and Fair Values (Continued)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arose primarily from floating rate bank loans. All of the bank deposits and borrowings of the Group are fixed rate instruments and are insensitive to any change in market interest rates, other than repricing risk at maturity.

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

#### 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:

	2022		2021	
	Effective interest rate	RMB'million	Effective interest rate	RMB'million
<b>Fixed rate portion:</b>				
Bank loans	0.01%–0.02%	2,959	0.47%	644
<b>Variable rate portion:</b>				
Bank loans		–	EURIBOR +1.75%	3,574
<b>Total</b>		<b>2,959</b>		<b>4,218</b>
<b>Fixed rate portion as a percentage of total bank loans</b>		<b>100%</b>		<b>15%</b>

## 29. Financial Risk Management and Fair Values (Continued)

### (d) Currency risk

The Group is exposed to currency risk primarily through contractual obligations, bank deposits and borrowings 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 and regularly 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)							
	2022				2021			
	Renminbi RMB'million	Hong Kong Dollars RMB'million	United States Dollars RMB'million	Euros RMB'million	Renminbi RMB'million	Hong Kong Dollars RMB'million	United States Dollars RMB'million	Euros RMB'million
Cash and cash equivalents	690	17	63	137	475	11	114	29
Trade receivables	-	-	11	-	2	1	6	-
Other receivables	-	7	26	-	-	7	14	7
Amount due from group companies	2,160	347	15	-	2,466	1,024	25	-
Medium term notes	(1,519)	-	-	-	(1,013)	-	-	-
Trade payables	-	-	(135)	-	-	-	(88)	(1)
Other payables	-	(5)	(273)	(1)	-	(6)	(254)	(2)
Amount due to group companies	(40)	(48)	(78)	(2)	(39)	(73)	(74)	-
<b>Net exposure to currency risk</b>	<b>1,291</b>	<b>318</b>	<b>(371)</b>	<b>134</b>	<b>1,891</b>	<b>964</b>	<b>(257)</b>	<b>33</b>

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 29. 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.

	2022			2021		
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after taxation and retained profits RMB'million	Effect on other components of equity RMB'million	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after taxation and retained profits RMB'million	Effect on other components of equity RMB'million
Renminbi	5 (5)	64 (64)	(64) 64	5 (5)	95 (95)	(95) 95
Hong Kong Dollars	5 (5)	13 (13)	(10) 10	5 (5)	47 (47)	(73) 73
United States Dollars	5 (5)	(15) 15	370 (370)	5 (5)	(10) 10	401 (401)
Euros	5 (5)	7 (7)	(434) 434	5 (5)	2 (2)	(308) 308

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 2021.

## 29. 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 2022 categorised into			
	Total RMB'million	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million
<b>Recurring fair value measurements</b>				
<b>Financial assets:</b>				
Equity instruments:				
- Unlisted equity investments	87	-	-	87
- Listed perpetual bonds	978	978	-	-

	Fair value measurements as at 31 December 2021 categorised into			
	Total RMB'million	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million
<b>Recurring fair value measurements</b>				
<b>Financial assets:</b>				
Equity instruments:				
- Unlisted equity investments	65	-	-	65
- Listed perpetual bonds	657	657	-	-

During the financial year ended 31 December 2022 and 2021, 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.

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 29. Financial Risk Management and Fair Values (Continued)

### (e) Fair values measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements

The fair values of the unlisted equity investments are determined by using the adjusted net assets value method, with unobservable inputs of net assets value. The fair value measurements are positively correlated to the net assets value.

#### (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 2022 and 2021.

## 30. Capital Commitments

Capital commitments outstanding as at 31 December 2022 not provided for in the financial statements were as follows:

	2022 RMB'million	2021 RMB'million
<b>Contracted for</b>		
– Property, plant and equipment	1,769	2,545
– Intangible assets	158	52
	1,927	2,597
<b>Authorised but not contracted for</b>		
– Property, plant and equipment	240	389
– Intangible assets	95	129
	335	518
	2,262	3,115

## 31. Material Related Party Transactions

### (a) Transactions with related parties

	2022 RMB'million	2021 RMB'million
<b>Recurring transactions</b>		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. (“Quanzhou Anda”) and other related entities	–	107
– Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wang Wenmo (and their associates)	101	–
Service fees		
– Mr. Ding Shijia (and his associates)	–	20
– Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wang Wenmo (and their associates)	24	–
<b>Non-recurring transaction</b>		
Acquisition of land use rights and factory under construction		
– Fujian Anta Investment Co., Limited	–	72

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

The above recurring related party transactions also fall under the definition of continuing connected transactions and connected transactions respectively 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

	2022 RMB'million	2021 RMB'million
<b>Amounts due to related parties</b>		
Trade balance		
– Quanzhou Anda and other related entities	–	22
– Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wang Wenmo (and their associates)	18	–
Other balances		
– Mr. Ding Shijia (and his associates)	–	5
– Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Wang Wenmo (and their associates)	7	–
	25	27

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

# Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 31. Material Related Party Transactions (Continued)

### (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:

	2022 RMB'million	2021 RMB'million
Short-term employee benefits	24	23
Equity-settled share-based payment transactions	12	18
	36	41

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

## 32. 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 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.

### **33. Revised IFRSs/HKFRSs**

The IASB and HKICPA have issued a number of amendments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group. None of these developments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group have a material effect to the Group's results and financial position prepared or presented in these financial statements.

### **34. Non-adjusting Event after the Reporting Period**

After the end of the reporting period, the board of directors of the Company recommended a final dividend of HK72 cents per share. Further details are disclosed in note 28.

### **35. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2022**

Up to the date of issue of these financial statements, the IASB and HKICPA have issued a number of amendments and a new standard which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements.

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 is concluded that the initial adoption is unlikely to have significant impact on the consolidated financial statements.

### **36. Immediate and Ultimate Holding Company**

The directors of the Company consider the immediate and ultimate holding company of the Company as at 31 December 2022 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

### **37. Approval of the Financial Statements**

The financial statements were approved and authorised for issue by the Board on 21 March 2023.

# Significant Accounting Policies

## (A) Statement of Compliance

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

These 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 2022 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 million (unless otherwise indicated). The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies 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 32.

## **(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. 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)(ii)).

# Significant Accounting Policies

## (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 attributable to equity shareholders under 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 attributable to equity shareholders 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 attributable to equity shareholders and any impairment loss relating to the investment (see (J)(ii)). At the end of each reporting period, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses attributable to equity shareholders 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 attributable to equity shareholders 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.

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 29(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, if the investment is 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 (W)(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 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 measured at FVTPL or designated at FVOCI (non-recycling), are recognised in profit or loss as other income in accordance with the policy set out in (W)(iv).

## (F) Property, Plant and Equipment

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

The cost of an item of property, plant and equipment comprises its purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the initial estimate of costs of dismantling and removing the item and restoring the site on which it is located.

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.

# Significant Accounting Policies

## (F) Property, Plant and Equipment (Continued)

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)(ii)). Cost comprises direct costs of construction and borrowing costs (see (AA)). 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)(ii)). 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

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 that have a lease term of 12 months or less and leases of low-value assets. 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 initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets and measured at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions, affecting only payments originally due on or before 30 June 2022, which arose as a direct consequence of the Pandemic and which satisfied the conditions set out in paragraph 46B of IFRS/HKFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

# Significant Accounting Policies

## (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 listed or unlisted debt securities, pledged deposits, bank deposits, cash and cash equivalents, trade receivables and other receivables. Other financial assets measured at fair value, including equity investments designated at FVOCI (non-recycling) and derivative financial assets, 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 in accordance with (W)(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.

# Significant Accounting Policies

## (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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

#### *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.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right to return products. It is measured in accordance with the policy set out in (W)(i).

## **(L) Contract Liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see (W)(i)). 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 initially measured at fair value, and subsequently 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 initially 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 (AA)).

## **(P) Trade Payables and Other Payables**

Payables are initially recognised at fair value, except for financial guarantee liabilities measured in accordance with (Q), and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Refund liability arising from right to return products is recognised in accordance with the policy set out in (W)(i).

# Significant Accounting Policies

## (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 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.

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) Convertible Bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured at fair value based on the future interest (if any) and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The remainder of the proceeds is allocated to the conversion option as the equity component. Transaction costs associated with the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is not remeasured and is recognised in the convertible bonds related reserve until either the bonds are converted or redeemed.

If the convertible bonds are converted, the convertible bonds related reserve, together with the carrying amount of the liability component at the time of conversion, would be transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds are redeemed, the corresponding reserve would be released and transferred directly to retained profits.

## (S) 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).

## **(T) 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. Generally, service and non-market performance conditions are not taken into account when determining the fair value of share options or awarded shares. Market performance conditions are reflected within the fair value. 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).

Where there is any modification of terms and conditions which does not result in any incremental fair value on share options or awarded shares granted, or is not otherwise beneficial to the employee, the Group nevertheless continues to account for the share options or awarded shares granted as if that modification had not occurred.

## **(U) 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.

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.

# Significant Accounting Policies

## (U) Income Tax (Continued)

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.

## (V) 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.

## **(W) Revenue and other income**

Revenue is recognised on a gross basis when control over a product is transferred to the customer at the amount of promised consideration to which the Group (i.e. the principal) 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 at the point in time when the control of the sporting goods is transferred to customers.

- For wholesale business, the control of the sporting goods is transferred when the sporting goods are accepted by the distributors or franchisees, which is typically when the sporting goods are shipped to the specified locations as specified in the contracts with customers. Generally, there is no significant financing component in the contract with customer nor significant variable element in the consideration. Normally a credit period of 30 to 90 days is granted to customers under respective contracts.
- For retail business, the control of the sporting goods is transferred when the sporting goods are sold to the customers in brick-and-mortar stores. Consideration is usually settled in cash, by credit cards, debit cards or through on-line payment platforms.
- For e-commerce business, the control of the sporting goods is transferred when the sporting goods are delivered to and accepted by the customers. Consideration is usually settled by credit cards, debit cards or through on-line payment platforms.

In case customers have a right to return products under certain circumstances, the Group then may not be entitled to the consideration received or receivable. Therefore, the Group reduces the revenue recognised by an estimate of the expected return and recognises a refund liability and an asset in relation to refund. Such estimates are reviewed at the end of each reporting period.

### **(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.

### **(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.

# Significant Accounting Policies

## (X) 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”).

### (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.

## (Y) 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.

## (Z) Dividends

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

## (AA) 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.

## **(BB) Related Parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
  
- (b) An entity is related to the Group if any of the following conditions applies:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (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.

## **(CC) 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		Principal activities
			Direct	Indirect	
Anta Enterprise Group Limited	BVI/Hong Kong SAR	USD10,000	100%	–	Investment holding
Motive Force Sports Products Limited	BVI/Hong Kong SAR	USD10,000	100%	–	Investment holding
REEDO Sports Products Limited	BVI/Hong Kong SAR	USD1	100%	–	Investment holding
ANDES Sports Products Limited	BVI/Hong Kong SAR	USD1	100%	–	Investment holding
Origin Force Holding Limited	BVI/Hong Kong SAR	USD1	100%	–	Investment holding
ANKO Sports Products Limited	BVI/Hong Kong SAR	USD1	100%	–	Investment holding
ANKING Sports Products Limited	BVI/Hong Kong SAR	USD1	100%	–	Investment holding
Antha Sports Products Limited	BVI/Hong Kong SAR	USD1	100%	–	Investment holding
Anllian Sports Products Limited	BVI/Hong Kong SAR	EUR700,000,001	100%	–	Investment holding
ANLLIAN Capital Limited	BVI/Hong Kong SAR	EUR1	100%	–	Investment holding
ANLLIAN Capital 2 Limited	BVI/Hong Kong SAR	EUR200,000,001	100%	–	Investment holding
ANTA Investment Limited	Hong Kong SAR	HKD1,000,000	–	100%	Investment holding
ANTA International Limited	Hong Kong SAR	HKD1	–	100%	Management services
Origin Force Investment Limited	Hong Kong SAR	HKD1	–	100%	Investment holding
Anta Sports Japan Co., Ltd. (Note (iii))	Japan	JPY50,000,000	–	100%	Product design
ANTA US Co., Ltd.	United States	–	–	100%	Product design
ANTA Sports Korea Co., Ltd (Note (iii))	Korea	KRW100,000,000	–	100%	Product design
ANTA NETHERLANDS B.V.	Netherlands	EUR700,000	–	100%	Product design
安踏體育用品集團有限公司 ANTA Sports Products Group Co., Limited (Note (i))	PRC	HKD1,130,000,000	–	100%	Manufacturing and trading of sporting goods
安踏(中國)有限公司 ANTA (CHINA) CO., LTD (Note (ii))	PRC	HKD600,000,000	–	100%	Manufacturing and trading of sporting goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門安踏有限公司 Xiamen ANTA Company Limited (Note (ii))	PRC	RMB800,000,000	–	100%	Investment holding and trading of sporting goods
廈門安踏貿易有限公司 XIAMEN ANTA TRADING CO., LTD. (Note (ii))	PRC	HKD300,000,000	–	100%	Trading of sporting goods
寧波群鯉服飾有限公司 NINGBO QUNLI STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
福建安踏物流信息科技有限公司 FUJIAN ANTA LOGISTICS INFORMATION TECHNOLOGY CO., LTD (Note (ii))	PRC	RMB779,000,000	–	100%	Logistics services
四川安踏物流科技有限公司 SICHUAN ANTA LOGISTICS TECHNOLOGY CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Logistics services
鄭州安踏物流信息科技有限公司 ZHENGZHOU ANTA LOGISTICS INFORMATION TECHNOLOGY CO., LTD (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Logistics services
江蘇安踏物流信息科技有限公司 JIANGSU ANTA LOGISTICS INFORMATION TECHNOLOGY CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Logistics services
長汀安踏體育用品有限公司 CHANGTING ANTA SPORTS PRODUCTS CO., LTD. (Note (ii))	PRC	RMB77,262,000	–	100%	Manufacturing of sporting goods
廈門安踏體育用品有限公司 XIAMEN ANTA SPORTS GOODS CO., LTD. (Note (ii))	PRC	HKD50,000,000	–	100%	Manufacturing of sporting goods
廈門安踏實業有限公司 XIAMEN ANTA INDUSTRIAL CO., LTD. (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of sporting goods
商丘安踏鞋業有限公司 SHANGQIU ANTA SHOES CO., LTD. (Notes (ii) and (iii))	PRC	RMB100,000,000	–	85%	Manufacturing of sporting goods
泉州安踏鞋材有限公司 QUANZHOU ANTA MATERIAL SUPPLY CO., LTD. (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of shoe sole

## Principal Subsidiaries

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
河南安踏鞋材有限公司 HENAN ANTA MATERIAL SUPPLY CO., LTD. (Notes (ii) and (iii))	PRC	RMB150,000,000	–	100%	Manufacturing of shoe sole
泉州市東禱達輕工發展有限公司 QUANZHOU DONGYIDA LIGHT INDUSTRY DEVELOPMENT CO., LTD. (Notes (ii) and (iii))	PRC	RMB53,565,023	–	100%	Manufacturing of shoe sole
泉州寰球鞋服有限公司 QUANZHOU ATHLETIC SHOES & GARMENTS CO., LTD. (Note (ii))	PRC	USD26,260,000	–	55%	Manufacturing and trading of sporting goods
廈門安踏進出口有限公司 XIAMEN ANTA IMPORT & EXPORT CO., LTD. (Note (ii))	PRC	RMB21,000,000	–	100%	Trading of sporting goods
昆明安踏體育用品有限公司 KUNMING ANTA SPORTS PRODUCTS CO., LTD. (Note (i))	PRC	RMB400,000,000	–	100%	Investment holding and trading of sporting goods
廈門安踏服飾有限公司 XIAMEN ANTA STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
廈門安競服飾有限公司 XIAMEN ANJING STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	52%	Retailing of sporting goods
廈門安魯服飾有限公司 XIAMEN ANLU STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	65%	Retailing of sporting goods
廈門安速服飾有限公司 XIAMEN ANSU STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	51%	Retailing of sporting goods
廈門競哈服飾有限公司 XIAMEN JINGHA STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	51%	Retailing of sporting goods
廈門安隴服飾有限公司 XIAMEN ANLONG STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	70%	Retailing of sporting goods
廈門競進服飾有限公司 XIAMEN JINGJIN STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	55%	Retailing of sporting goods
廈門翔動服飾有限公司 XIAMEN XIANGDONG STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	51%	Retailing of sporting goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門翔馳服飾有限公司 XIAMEN XIANGCHI STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	51%	Retailing of sporting goods
廈門潤聯服飾有限公司 XIAMEN RUNLIAN STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	55%	Retailing of sporting goods
廈門安踏電子商務有限公司 XIAMEN ANTA E-COMMERCE CO., LTD. (Notes (ii) and (iii))	PRC	RMB20,000,000	–	100%	Retailing of sporting goods
泉州群鯉電子商務有限公司 QUANZHOU QUNLI E-COMMERCE CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之業體育用品有限公司 XIAMEN ANZHIYE SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之鴻體育用品有限公司 XIAMEN ANZHONG SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之運體育用品有限公司 XIAMEN ANZHIYUN SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之途體育用品有限公司 XIAMEN ANZHITU SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Retailing of sporting goods
廈門安之偉體育用品有限公司 XIAMEN ANZHIWEI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之品體育用品有限公司 XIAMEN ANZHIPIN SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之吉體育用品有限公司 XIAMEN ANZHIJI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB6,000,000	–	100%	Retailing of sporting goods
廈門安之祥體育用品有限公司 XIAMEN ANZHIXIANG SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods

## Principal Subsidiaries

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門安之高體育用品有限公司 XIAMEN ANZHIGAO SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之昌體育用品有限公司 XIAMEN ANZHICHANG SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB6,000,000	–	100%	Retailing of sporting goods
廈門安之啟體育用品有限公司 XIAMEN ANZHIQI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之動體育用品有限公司 XIAMEN ANZHIDONG SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之意體育用品有限公司 XIAMEN ANZHIYI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之財體育用品有限公司 XIAMEN ANZHICAI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB6,000,000	–	100%	Retailing of sporting goods
廈門安之喜體育用品有限公司 XIAMEN ANZHIXI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之奧體育用品有限公司 XIAMEN ANZHIAO SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之廣體育用品有限公司 XIAMEN ANZHIGUANG SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之滙體育用品有限公司 XIAMEN ANZHIHU SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之閩體育用品有限公司 XIAMEN ANZHIMIN SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之心體育用品有限公司 XIAMEN ANZHIXIN SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門安之書體育用品有限公司 XIAMEN ANZHISHU SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之泰體育用品有限公司 XIAMEN ANZHITAI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之錦體育用品有限公司 XIAMEN ANZHIJIN SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之強體育用品有限公司 XIAMEN ANZHIQIANG SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之博體育用品有限公司 XIAMEN ANZHIBO SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之旭體育用品有限公司 XIAMEN ANZHIXU SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之鵬體育用品有限公司 XIAMEN ANZHIPENG SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之榮體育用品有限公司 XIAMEN ANZHIRONG SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之友體育用品有限公司 XIAMEN ANZHYOU SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之迪體育用品有限公司 XIAMEN ANZHIDI SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之宇體育用品有限公司 XIAMEN ANZHIYU SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods

## Principal Subsidiaries

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門安之衡體育用品有限公司 XIAMEN ANZHIHENG SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之沐體育用品有限公司 XIAMEN ANZHIMU SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之澤體育用品有限公司 XIAMEN ANZHIZE SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
廈門安之汀體育用品有限公司 XIAMEN ANZHITING SPORTS PRODUCTS CO., LTD (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
上海安踏體育用品有限公司 SHANGHAI ANTA SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Research and development
河南安踏體育用品有限公司 HENAN ANTA SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
福建安越體育科技有限公司 FUJIAN ANYUE SPORTS TECHNOLOGY CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Property management
上海安踏實業有限公司 SHANGHAI ANTA INDUSTRIAL CO., LTD. (Notes (ii) and (iii))	PRC	RMB310,000,000	–	100%	Property management
瀋陽安踏實業有限公司 SHENYANG ANTA INDUSTRIAL CO., LTD. (Notes (ii) and (iii))	PRC	RMB40,000,000	–	100%	Property management
廈門群鯉實業有限公司 XIAMEN QUNLI INDUSTRIAL LIMITED (Note (ii))	PRC	RMB160,000,000	–	100%	Property management
上海耀盛實業發展有限公司 SHANGHAI YAOSHENG INDUSTRIAL DEVELOPMENT CO., LTD. (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Property management
成都安踏實業有限公司 CHENGDOU ANTA INDUSTRIAL CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Property management

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
蘇州安踏體育用品有限公司 SUZHOU ANTA SPORTS PRODUCTS CO., LTD. (Notes (i) and (iii))	PRC	–	–	100%	Property management
晉江安心物業管理有限公司 JINJIANG ANXIN PROPERTY MANAGEMENT CO., LTD. (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Property management
廈門斐越信息技術有限公司 XIAMEN FEIYUE INFORMATION TECHNOLOGY CO., LTD. (Note (i))	PRC	RMB10,000,000	–	100%	Information technology service
Avid Sports Malaysia Sdn. Bhd.	Malaysia	MYR1,000,001	–	50%	Retailing of sporting goods
Avid Sports Management Services Sdn. Bhd.	Malaysia	MYR1	–	50%	Investment holding
Avid Sports International Limited	BVI	USD9,000,000	–	50%	Investment holding
Avid Sports Limited	Hong Kong SAR	HKD1	–	50%	Investment holding and trading of sporting goods
Fila Marketing (Hong Kong) Limited	Hong Kong SAR	HKD79,800,000	–	100%	Retailing of sporting goods
FILA (MACAO) LIMITED	Macao SAR	MOP25,000	–	100%	Retailing of sporting goods
Motive Force Sports Products (Singapore) PTE. Ltd.	Singapore	SGD500,000	–	100%	Retailing of sporting goods
Motive Force E-Commerce Limited	Hong Kong SAR	HKD1,000,000	–	100%	Retailing of sporting goods
斐樂服飾有限公司 FILA STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
上海斐盈壹號服飾有限公司 SHANGHAI FEIYINGYIHAO STYLE CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of sporting goods
上海群鯉服飾有限公司 SHANGHAI QUNLI STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
寧波斐越服飾有限公司 NINGBO FEIYUE STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Trading of sporting goods

## Principal Subsidiaries

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
福建安越服飾有限公司 FUJIAN ANYUE STYLE CO., LTD. (Notes (ii) and (iii))	PRC	–	–	100%	Trading of sporting goods
昆明群鯉體育用品有限公司 KUNMING QUNLI SPORTS PRODUCTS CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Trading of sporting goods
斐尚服飾有限公司 FEISHANG STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB50,000,000	–	60%	Retailing of sporting goods
斐達服飾有限公司 FEIDA STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB20,000,000	–	52%	Retailing of sporting goods
斐鴻服飾有限公司 FEIHONG STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB20,010,000	–	51%	Retailing of sporting goods
泉州斐越電子商務有限公司 QUANZHOU FEIYUE E-COMMERCE CO., LTD. (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Retailing of sporting goods
泉州斐翔電子商務有限公司 QUANZHOU FEIXIANG E-COMMERCE CO., LTD. (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Retailing of sporting goods
Full Prospect Sports Limited	Cayman Islands/Hong Kong SAR	USD100	–	85%	Investment holding
Full Prospect (IP) PTE. Ltd.	Singapore/Hong Kong SAR	USD100,000	–	85%	Trademark holding
Fila China Investment Limited	Hong Kong SAR	HKD1,000,000	–	85%	Investment holding and trading of sporting goods
斐樂體育有限公司 FILA SPORTS CO., LTD. (Note (i))	PRC	RMB100,000,000	–	85%	Trading of sporting goods
上海斐樂體育發展有限公司 SHANGHAI FILA SPORTS DEVELOPMENT CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	85%	Trading of sporting goods
REEDO International Limited	BVI/Hong Kong SAR	RMB241,000,662	–	100%	Investment holding
SPRANDI Investment Limited	Hong Kong SAR	HKD1	–	100%	Investment holding
REEDO (Hong Kong) Limited	Hong Kong SAR	HKD100	–	100%	Investment holding
斯潘迪(中國)有限公司 SPRANDI (CHINA) CO., LTD. (Note (i))	PRC	RMB211,000,000	–	64%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門斯潘迪有限公司 XIAMEN SPRANDI CO., LTD. (Notes (ii) and (iii))	PRC	RMB30,000,000	–	64%	Retailing of sporting goods
Descente China Holding Limited	Cayman Islands	RMB1,012,105,000	–	54%	Investment holding
Descente China Investment Limited	Hong Kong SAR	RMB1	–	54%	Investment holding and retailing of sporting goods
Descente China IP Limited	Cayman Islands	USD100,000	–	49%	Trademark holding
迪桑特(中國)有限公司 Descente (China) Co., Ltd. (Note (i))	PRC	RMB100,000,000	–	54%	Trading and retailing of sporting goods
上海迪知服飾有限公司 SHANGHAI DIGI APPAREL CO., LTD. (Notes (ii) and (iii))	PRC	–	–	54%	Retailing of sporting goods
上海迪晟服飾有限公司 SHANGHAI DISHENG APPAREL CO., LTD. (Notes (ii) and (iii))	PRC	RMB20,000,000	–	54%	Retailing of sporting goods
DIGI (MACAO) LIMITED	Macao SAR	MOP25,000	–	54%	Retailing of sporting goods
安啟服飾有限公司 ANQI STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
KOLON Sport (China) Holdings Limited	Hong Kong SAR	USD80,000,000	–	50%	Investment holding and retailing of sporting goods
KOLON Sport China (IP) PTE. Ltd.	Singapore/Hong Kong SAR	USD33,200,000	–	50%	Trademark holding
富恩施(北京)貿易有限公司 FNC Kolon (Beijing) Co., Ltd. (Note (i))	PRC	USD18,000,000	–	50%	Retailing of sporting goods
可隆體育(中國)有限公司 KOLON SPORT (CHINA) Co., Ltd. (Note (i))	PRC	RMB100,000,000	–	50%	Trading of sporting goods
上海群隆服飾有限公司 SHANGHAI QUNLONG STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB20,000,000	–	50%	Retailing of sporting goods
QUNLONG (MACAO) LIMITED	Macao SAR	MOP25,000	–	50%	Retailing of sporting goods

## Principal Subsidiaries

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
SKC Group Limited	Hong Kong SAR	HKD20,286,500	–	100%	Investment holding
韻利(上海)商業有限公司 YUNLI (SHANGHAI) TRADING CO., LTD. (Note (i))	PRC	HKD11,000,000	–	100%	Trading of sporting goods
Kingkow Investment Limited	Hong Kong SAR	HKD1	–	100%	Investment holding
Kingkow (IP) PTE. Ltd.	Singapore/Hong Kong SAR	USD1	–	100%	Trademark holding
小笑牛(中國)有限公司 KINGKOW (CHINA)CO., LTD (Note (i))	PRC	RMB35,000,000	–	100%	Trading of kid's apparel goods
小笑牛服飾有限公司 KINGKOW STYLE CO., LTD. (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of kid's apparel goods

Notes:

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

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

(iii) The English translation of the company names is for reference only. The official names of these companies are based on the official language of their respective place of incorporation.

# 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 (with internationally recognised brands including Arc'teryx, Salomon, Wilson, Peak Performance, Atomic, etc.) incorporated in the Republic of Finland, and a subsidiary owned by AS Holding

## **ANDA HOLDINGS**

Anda Holdings International Limited

## **ANDA**

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)

## **AS HOLDING**

Amer Sports Holding (Cayman) Limited, a joint venture of the Company

## **AUDIT COMMITTEE**

The audit committee of the Company

## **BOARD**

The board of directors of the Company

## **BVI**

The British Virgin Islands

## **CEO**

The chief executive officer of the Company

## **CFO**

The chief financial officer of the Company

## **CG CODE**

Corporate Governance Code set out in Appendix 14 to the Listing Rules

## **CHAIRMAN**

Chairman of the board of directors of the Company

## **CHINA/PRC**

People's Republic of China

## **COC**

Chinese Olympic Committee

## **CSD**

Chinese Sports Delegation

## **DESCENTE**

DESCENTE brand

## **DESCENTE**

## **STORE(S)**

DESCENTE retail store(s)

## **DIRECTOR(S)**

Director(s) of the Company

## **DTC**

Direct to Consumer

## **EBITDA**

Earnings before interest, taxes, depreciation and amortisation

## **ESG**

Environmental, social and governance

## **EURO, EUR**

Euro, the lawful currency of European Union

## **EXECUTIVE**

## **DIRECTOR(S)**

Executive director(s) of the Company

## **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 STORE(S)**

FILA retail store(s)

## **GDP**

Gross Domestic Product

## **GROUP/ANTA GROUP**

The Company and its subsidiaries

## **HEMIN HOLDINGS**

Hemin Holdings Limited

## **HONG KONG/HONG KONG SAR**

The Hong Kong Special Administrative Region of the PRC

## **HONG KONG DOLLARS, HKD**

Hong Kong Dollars, the lawful currency of Hong Kong SAR

## **HONG KONG STOCK EXCHANGE/HKEX**

The Stock Exchange of Hong Kong Limited

## **INDEPENDENT NON-EXECUTIVE DIRECTOR(S)**

Independent non-executive director(s) of the Company

## **IP**

Intellectual property

## **KOLON SPORT**

KOLON SPORT brand

## **KOLON SPORT STORE(S)**

KOLON SPORT retail store(s)

## **LISTING RULES**

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

## **MACAO/MACAO SAR**

The Macao Special Administrative Region of the PRC

## **MAINLAND CHINA**

Mainland of China, geographically excluding Hong Kong SAR, Macao SAR and Taiwan region

## **MSCI**

Morgan Stanley Capital International Global Standard Index

## **NBA**

National Basketball Association

## **NOMINATION COMMITTEE**

The nomination committee of the Company

## **NON-EXECUTIVE DIRECTOR(S)**

Non-executive director(s) of the Company

## **O2O MODEL**

Online-to-offline commerce

## **PANDEMIC**

2019 novel coronavirus disease (COVID-19)

## **R&D**

Research and development

## **REMUNERATION COMMITTEE**

The remuneration committee of the Company

## **RISK MANAGEMENT COMMITTEE**

The risk management committee of the Company

## **RMB**

Renminbi, the lawful currency of the PRC

## **SFO**

The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

## **SHARE(S)**

Ordinary share(s) of HKD0.10 each in the share capital of the Company

## **SHAREHOLDER(S)**

Shareholder(s) of the Company

## **SINGAPORE**

Republic of Singapore

## **SUSTAINABILITY COMMITTEE**

The sustainability committee of the Company

## **US**

United States of America

## **USD**

United States Dollars, the lawful currency of the United States of America

## **YEAR**

The year ended 31 December 2022

## **2017 SHARE OPTION SCHEME**

The share option scheme adopted by the Company on 6 April 2017

## **2018 SHARE AWARD SCHEME**

The share award scheme adopted by the Company on 19 October 2018



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