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ANTA Sports Products Limited

安踏體育用品有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2020)

2016 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of ANTA Sports Products Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2016. This announcement, containing the full text of the 2016 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The printed version of the Company’s 2016 Annual Report will be delivered to the shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at ir.anta.com in early-March 2017.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2016 have been reviewed by the audit committee of the Company. The Group’s consolidated financial statements have been audited by the Company’s auditor, KPMG, and has issued an unqualified opinion.



ANTA Sports Products Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 2020

FIGHT ON



ANNUAL REPORT 2016

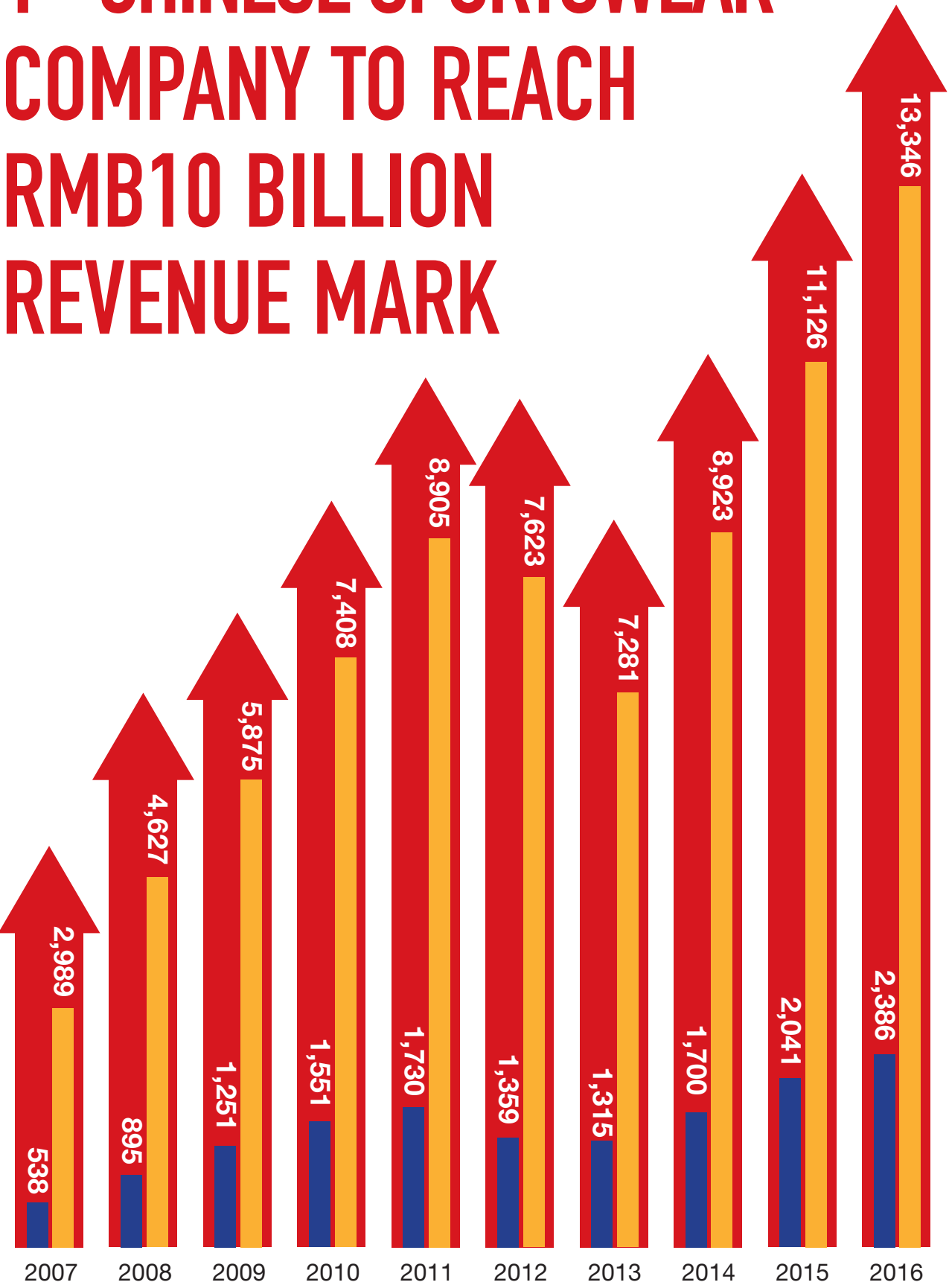
While approaching the
10th anniversary of listing,
the Group's revenue and
profit attributable to equity
shareholders for 2016 have

**MORE THAN
QUADRUPLLED**
over the past decade



1ST CHINESE SPORTSWEAR COMPANY TO REACH RMB10 BILLION REVENUE MARK

(RMB million)



- Revenue
- Profit attributable to equity shareholders





Klay Thompson,

*a shooting guard for
the Golden State Warriors
in the NBA*

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COMPANY PROFILE

Established in 1994 and listed on the Main Board of Hong Kong Stock Exchange in 2007, ANTA Sports Products Limited (stock code: 2020.HK) is one of the leading sportswear companies in China. For many years, we have been principally engaged in the design, development, manufacturing and marketing of ANTA sportswear series to provide professional sporting goods to the mass market in China. Our professional sportswear includes sports shoes, apparel and accessories. In recent years, we have started moving full steam ahead with the strategy of “Single-focus, Multi-brand, and Omni-channel” to deepen our footprint in the sportswear market in China. By embracing a vibrant brand portfolio, including ANTA, ANTA KIDS, FILA, FILA KIDS, DESCENTE and NBA brand, and by seizing every opportunity arising in various important retail channels, we aim to unlock the potential of both the mass and high-end sportswear markets in China. By integrating various resources, including sponsorship and endorsement, advertising and promotional campaigns, corporate social responsibility initiatives, retail management capability and high quality, value-for-money merchandise, we strive to reinforce the image of our brands and the level of brand association in the minds of our customers. Our goal is to become the nation’s top sportswear company with the best reputation and largest market share in China, and a respectable and sustainable world-class sportswear company in the long run.

MISSION

To integrate the sports spirit of “going beyond oneself” into everyone’s daily life.

VISION

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

CORE VALUES

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

CORPORATE INFORMATION

Board

Executive Directors	Ding Shizhong (Chairman)	Ding Shijia (Deputy Chairman)		
	Lai Shixian	Wang Wenmo	Wu Yonghua	Zheng Jie
Independent Non-Executive Directors	Yeung Chi Tat	Lu Hong Te	Dai Zhongchuan	
Company Secretary	Lam Jim			

Board committees

Audit Committee	Yeung Chi Tat (Chairman)	Lu Hong Te	Dai Zhongchuan
Remuneration Committee	Lu Hong Te (Chairman)	Dai Zhongchuan	Ding Shizhong
Nomination Committee	Lu Hong Te (Chairman)	Yeung Chi Tat	Lai Shixian
Risk Management Committee	Yeung Chi Tat (Chairman)	Dai Zhongchuan	Lai Shixian

Authorised representatives

Lai Shixian Lam Jim

Registered offices

Cayman Islands Office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Hong Kong Office	16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong

Head offices in the PRC

Jinjiang Office	Dongshan Industrial Zone, Chidian Town, Jinjiang City, Fujian Province, PRC Postal code: 362212
Xiamen Office	No. 99 Jiayi Road, Guanyinshan, Xiamen, Fujian Province, PRC Postal code: 361008

Share registrars and transfer offices

Cayman Islands Principal Register	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House, 24 Shedden Road, George Town, Grand Cayman KY1-1110, Cayman Islands
Hong Kong Branch Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

Legal adviser

Norton Rose Fulbright Hong Kong

Auditor

KPMG

Risk management and internal control review adviser

KPMG Advisory (China) Limited

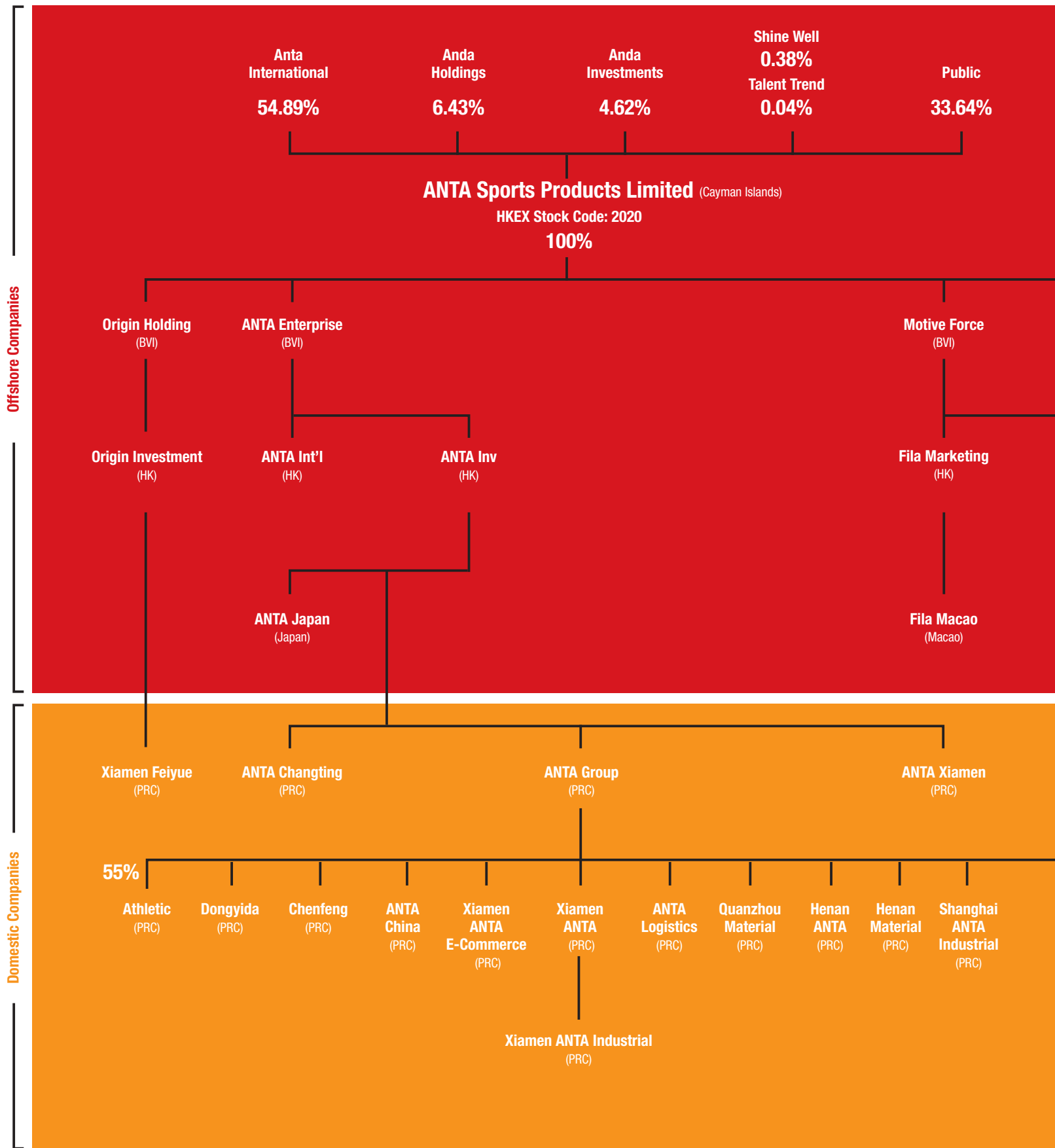
Public relations consultant

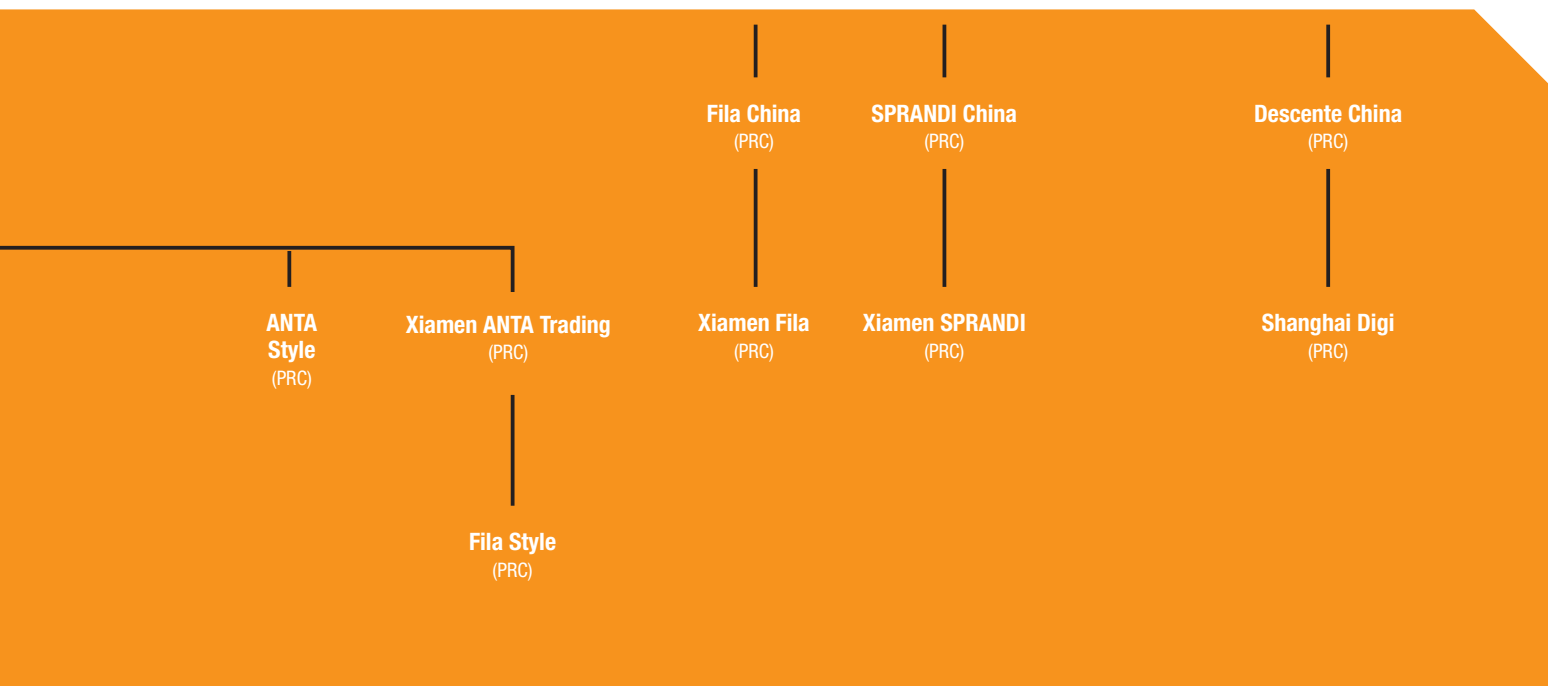
Citigate Dewe Rogerson

Principal bankers

Agricultural Bank of China Bank of China Limited Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

GROUP STRUCTURE





Revenue **+20.0%** to
RMB **13.35** billion



Rajon Rondo,
*a point guard for
the Chicago Bulls in the NBA*

FINANCIAL OVERVIEW

Year ended 31 December	2016	2015	Changes
	(RMB million)	(RMB million)	(%)
Revenue	13,345.8	11,125.9	↑ 20.0
Gross profit	6,459.0	5,185.4	↑ 24.6
Profit from operations	3,203.4	2,696.7	↑ 18.8
Profit attributable to equity shareholders	2,385.5	2,040.6	↑ 16.9
Free cash inflow	1,897.0	1,417.0	↑ 33.9
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
– Basic	95.36	81.66	↑ 16.8
– Diluted	95.16	81.48	↑ 16.8
Shareholders' equity per share	381.57	343.03	↑ 11.2
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Interim	34	30	
– Final	34	30	
– Special	8	8	
	76	68	↑ 11.8
	(%)	(%)	(% points)
Gross profit margin	48.4	46.6	↑ 1.8
Operating profit margin	24.0	24.2	↓ 0.2
Margin of profit attributable to equity shareholders	17.9	18.3	↓ 0.4
Effective tax rate	26.2	26.2	–
Advertising and promotional expenses ratio (as a percentage of revenue)	11.4	11.5	↓ 0.1
Staff costs ratio (as a percentage of revenue)	11.3	11.2	↑ 0.1
R&D costs ratio (as a percentage of cost of sales)	5.1	5.2	↓ 0.1

As at 31 December	2016	2015	Changes
	(%)	(%)	(% points)
Gearing ratio ⁽¹⁾	10.8	11.4	↓ 0.6
Return on average total shareholders' equity ⁽²⁾	26.3	24.9	↑ 1.4
Return on average total assets ⁽³⁾	17.9	17.1	↑ 0.8
Average total shareholders' equity to average total assets	67.8	68.6	↓ 0.8
	(days)	(days)	(days)
Average inventory turnover days ⁽⁴⁾	61	58	↑ 3
Average trade receivables turnover days ⁽⁵⁾	39	33	↑ 6
Average trade payables turnover days ⁽⁶⁾	44	41	↑ 3

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report 2016 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) Gearing ratio is equal to the sum of bank loans and bills payable divided by the total assets at the end of the relevant year.
- (2) Return on average total shareholders' equity is equal to the profit attributable to equity shareholders divided by the average balance of total shareholders' equity.
- (3) Return on average total assets is equal to the profit attributable to equity shareholders divided by the average balance of total assets.
- (4) 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.
- (5) 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.
- (6) Average trade payables turnover days is equal to the average balance of trade payables divided by the cost of sales and multiplied by the number of days in the relevant year.

RESULTS HIGHLIGHTS

Financial Performance



Revenue
increased by 20.0% to
RMB **13.35** billion



Gross profit margin
increased by 1.8% point to
48.4%



Profit attributable to equity
shareholders increased by 16.9% to
RMB **2.39** billion



Basic earnings per share
increased by 16.8% to
RMB **95.36** cents



70.2% payout of the profit
attributable to equity shareholders

Operational Performance



Number of ANTA
stores (including
ANTA KIDS
standalone stores)
stood at

8,860



Number of FILA stores
(including FILA KIDS
standalone stores) in
China, Hong Kong and
Macao stood at

802



Number of
DESCENTE
stores stood at

6



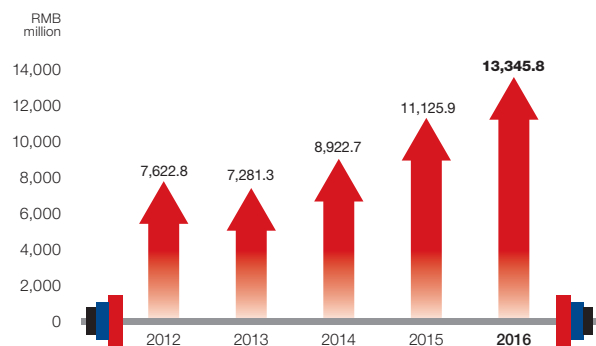
FIVE-YEAR FINANCIAL SUMMARY

	2016	2015	2014	2013	2012
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	13,345,761	11,125,941	8,922,692	7,281,263	7,622,808
Gross profit	6,459,042	5,185,420	4,026,816	3,039,254	2,893,166
Profit from operations	3,203,372	2,696,682	2,018,863	1,565,599	1,563,310
Profit attributable to equity shareholders	2,385,546	2,040,573	1,700,310	1,314,835	1,358,701
Non-current assets	2,770,425	2,345,257	2,036,754	1,931,008	1,933,589
Current assets	11,453,116	10,156,699	9,346,996	8,187,139	8,102,474
Current liabilities	4,272,505	3,563,262	3,184,693	2,573,654	2,897,909
Net current assets	7,180,611	6,593,437	6,162,303	5,613,485	5,204,565
Total assets	14,223,541	12,501,956	11,383,750	10,118,147	10,036,063
Total assets less current liabilities	9,951,036	8,938,694	8,199,057	7,544,493	7,138,154
Non-current liabilities	54,705	124,451	194,477	195,368	205,448
Total liabilities	4,327,210	3,687,713	3,379,170	2,769,022	3,103,357
Non-controlling interests	347,703	234,577	209,423	195,137	180,466
Shareholders' equity	9,548,628	8,579,666	7,795,157	7,153,988	6,752,240
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Basic earnings per share	95.36	81.66	68.12	52.71	54.48
Diluted earnings per share	95.16	81.48	67.98	52.61	54.40
Shareholders' equity per share	381.57	343.03	312.19	286.69	270.72
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per share					
– Interim	34	30	25	19	23
– Final	34	30	28	22	17
– Special	8	8	8	7	8
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	48.4	46.6	45.1	41.7	38.0
Operating profit margin	24.0	24.2	22.6	21.5	20.5
Margin of profit attributable to equity shareholders	17.9	18.3	19.1	18.1	17.8
Effective tax rate	26.2	26.2	22.7	24.1	21.6
Advertising and promotional expenses ratio (as a percentage of revenue)	11.4	11.5	12.0	11.1	10.5
Staff costs ratio (as a percentage of revenue)	11.3	11.2	11.0	10.3	9.7
R&D costs ratio (as a percentage of cost of sales)	5.1	5.2	4.3	4.0	3.8
Gearing ratio ⁽¹⁾	10.8	11.4	11.8	4.8	9.9
Return on average total shareholders' equity ⁽¹⁾	26.3	24.9	22.7	18.9	20.7
Return on average total assets ⁽¹⁾	17.9	17.1	15.8	13.0	14.9
Average total shareholders' equity to average total assets	67.8	68.6	69.5	69.0	72.0
	(days)	(days)	(days)	(days)	(days)
Average inventory turnover days ⁽¹⁾	61	58	58	59	51
Average trade receivables turnover days ⁽¹⁾	39	33	35	38	34
Average trade payables turnover days ⁽¹⁾	44	41	54	65	47

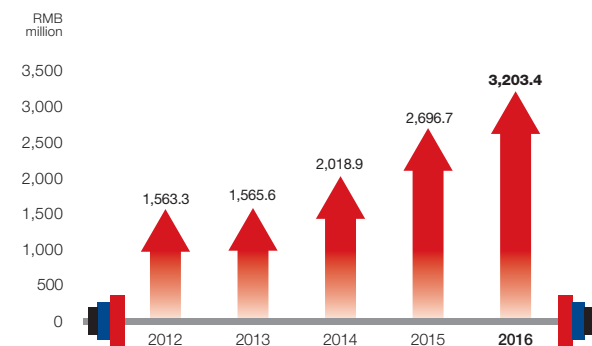
Notes:

(1) Please refer to notes on page 8 of the annual report for the definitions of gearing ratio, return on average total shareholders' equity, return on average total assets, average inventory turnover days, average trade receivables turnover days and average trade payables turnover days.

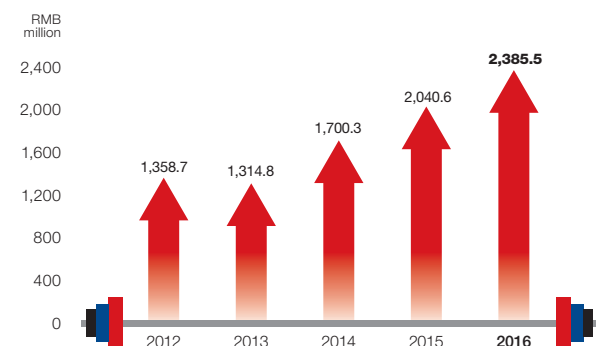
REVENUE



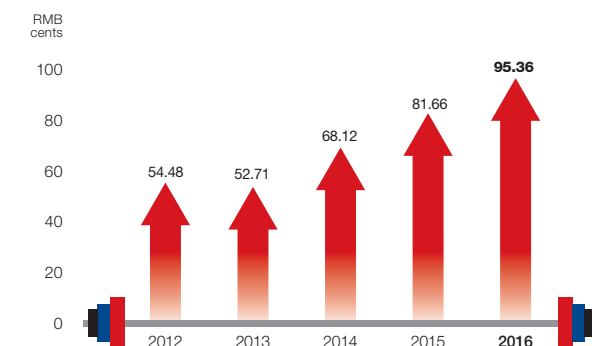
PROFIT FROM OPERATIONS



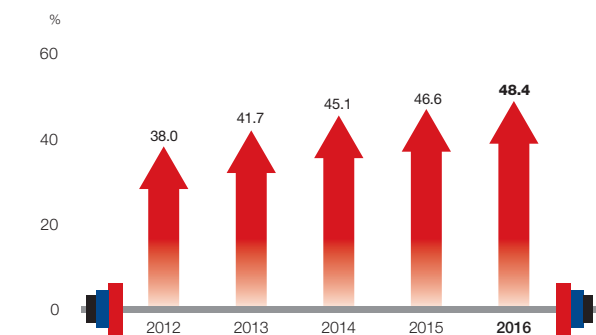
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



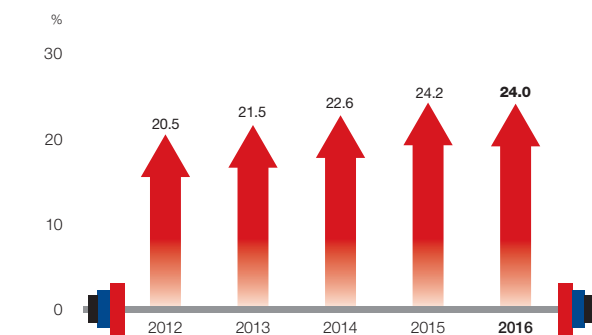
BASIC EARNINGS PER SHARE



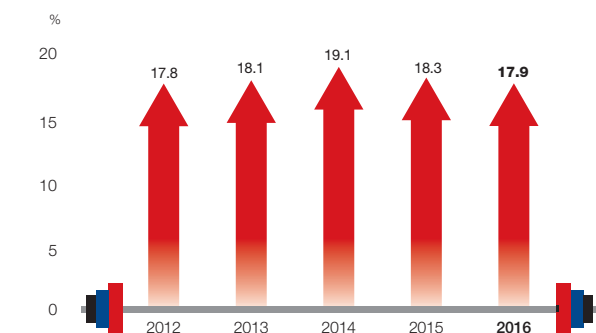
GROSS PROFIT MARGIN



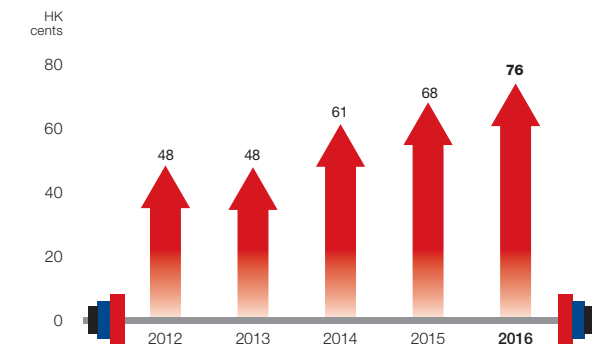
OPERATING PROFIT MARGIN



MARGIN OF PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



TOTAL DIVIDENDS PER ORDINARY SHARE



MILESTONE OF 2016

ANTA Organized "2016 Challenge 100" Event with Chen Penbin

March

We once again organized our "Challenge 100" event, which featured renowned Chinese ultra-marathon runner, Chen Penbin. Around 20,000 runners joined us to complete the 100km per station relay in Beijing, Shanghai, Xiamen, Shenzhen and Chongqing. The champion teams from those five cities ran in Rio de Janeiro, the host city of the 2016 Olympics, for the final "Challenge 100" race. In tandem with the event, ANTA launched its upgraded "Challenge 100" functional running shoes for running enthusiasts.



ANTA Remained the Largest in the Market for Travel and Sports Shoes in China for the 15th Consecutive Year; Won Awards for "Top 100 Integrated Strength" and "Top 10 High Resilience Enterprise"

March

According to the results of the "2016 China Consumer Market Development Annual Conference and Goods Sales Statistics" report, ANTA's travel and sports shoes ranked first in terms of market share in China for the 15th consecutive year. In addition, we were the only Chinese sportswear company to be named "Top 100 Integrated Strength" and "Top 10 High Resilience Enterprise", by Finet Group Limited and QQ.com.



ANTA Unveiled "Go Surprise Yourself" Campaign for Rio Olympics

April

We launched the "Go Surprise Yourself" marketing campaign for the Rio 2016 Olympic Games and unveiled the competition gear for 10 Chinese national teams. Since London Olympics in 2012, the Rio Olympics was the second Olympic Games that we worked on together with the COC to tailor-make winning outfits for the CSD. We also debuted our high-end, professional football shoes "Lion FG" with state-of-the-art grip control design.

The Group Won Five Awards in Recognition of Excellence in Corporate Management and Investor Relations

June

We won five awards for our corporate management and investor relations strategies including "Best managed companies in Asia by sector (Consumer)" at the 2016 Asia's Best Companies awards, organized by FinanceAsia, an authoritative financial publication in the region. At the Hong Kong Investor Relations Association Investor Relations Awards 2016, we also picked up awards for "Best IR Company (Large Cap)"; "Best IR by Chairman/CEO (Large Cap)"; "Best IRO (Large Cap)"; and "Best IR Presentation Collaterals (Large Cap)" for the second consecutive year.



ANTA Introduced ANTA running time APP and ANTA Intelligent Running Shoes

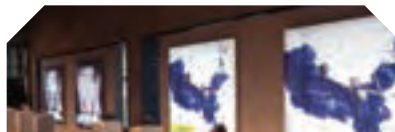
June

We launched the ANTA Intelligent Technology Plan in collaboration with top technology company, Foxconn, introducing new features such as the ANTA running time APP and ANTA Intelligent Running Shoes during the 30th Olympic Day Run, which we have sponsored for eight consecutive years.

ANTA Launched Champion Dragon Outfit for Chinese Athletes at Rio Olympic Games Plus a New E-commerce Sales Campaign with Tmall

From June to August

As a partner of the COC, we designed the CSD's Champion Dragon Outfit for the 2016 Rio Olympics, which all Chinese athletes received their honors at the podium with our outfit. To maximize the market exposure and reach, we also partnered with Tmall to launch the Rio Olympics E-commerce sales campaign related to the performance of Chinese athletes. According to a poll on the impact of Rio Olympics sponsorship conducted by Ipsos, a leading global research company, Olympics-related marketing led to a 17% increase in ANTA's brand awareness.





The Group Reached a New Milestone with the Opening of the First DESCENTE Store in China

August

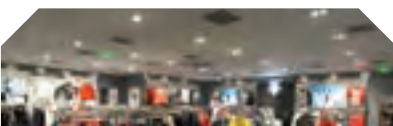
We opened the first DESCENTE store in Changchun, China through our JV Group. DESCENTE is renowned for offering sportswear which incorporates the industry's leading technology combined with innovative design and outstanding quality. The addition of the DESCENTE brand to our portfolio will further enhance our high-end sportswear product offerings as part of the multi-brand strategy.



ANTA Signed Legendary Boxer Manny Pacquiao

November

We signed legendary boxing champion, Manny Pacquiao, as ANTA's latest brand endorser. The Filipino boxer was the first and the only professional boxer to win world boxing titles in eight different weight categories. The collaboration will not only create mutual benefits for Manny Pacquiao and ANTA, but will build a new "Fight On" spirit among customers, launching another major step forward for the ANTA cross-training business particularly.



The Group was Recognized by Bloomberg as "50 Companies to Watch in 2017" from 4,000 Stocks Globally

November

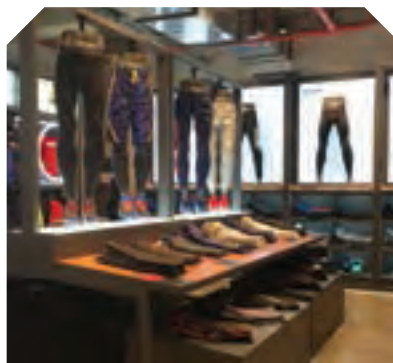
We were selected as one of the "50 Companies to Watch in 2017" by analysts at Bloomberg Intelligence, who track 4,000 stocks for companies in industries including energy, technology, retail and finance. Bloomberg commented that we were the largest sportswear company in China, and that we are up scaling as the Chinese middle class burgeons and embraces exercising and "athleisure".



FILA collaborated with Gao Yuanyuan; Unveiled "Jason Wu X FILA Spring Summer 2017 Collection"

September to November

Gao Yuanyuan, a renowned Chinese celebrity, featured in a FILA advertising campaign in China since September. We also continued cross-border collaboration with renowned fashion designer Jason Wu and held a world-class fashion show for the "Jason Wu X FILA Spring Summer 2017 Collection" in Beijing.



The Group was given two international awards and Awarded an Environmental Friendly Label

December

We won the "2016 Best in sector: Consumer discretionary and Consumer staples" at the IR Magazine Awards. Meanwhile, our investor relations website received a gold medal in the sports category at the 2016 iNOVA Awards. In recognition of our environmental friendly practices, we were also awarded the "CarbonCare® ESG Label" from Carbon Innovation Lab.



CHAIRMAN'S STATEMENT





Dear Shareholders,

On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2016.

THREE YEARS OF RECORD-BREAKING RESULTS

During the year, demand for our differentiated, value-for-money ANTA products continued to grow. In addition, with notable growth in our ANTA KIDS, FILA and our e-commerce businesses, we recorded a 20.0% increase in revenue to RMB13.35 billion (2015: RMB11.13 billion). Profit attributable to equity shareholders rose by 16.9% to RMB2.39 billion (2015: RMB2.04 billion), with basic earnings per share amounting to RMB95.36 cents (2015: RMB81.66 cents). The Group's revenue and profit attributable to equity shareholders not only set new records, but have more than quadrupled over the past decade. To reward our shareholders, the Board has proposed a final dividend of HK34 cents per ordinary share (2015: HK30 cents) and a special dividend of HK8 cents per ordinary share (2015: HK8 cents), together with an interim dividend of HK34 cents per ordinary share (2015: HK30 cents) which was paid in September 2016, representing a payout ratio of 70.2% of profit attributable to equity shareholders for the year (2015: 69.8%).

2016: A YEAR OF REVOLUTION, INNOVATION AND HIGH EFFICIENCY

Last year China underwent unprecedented economic reforms against a backdrop of challenging global economic conditions; and such uncertainty would dominate the global economy in the next five years. Nevertheless, the outlook for the sports industry continues to look promising, with some saying that the next ten years will be a golden decade for the industry. By 2025, China's sports industry is expected to be RMB5 trillion in size. We are now ushering in the new 4.0 phase of our "Single-focused, Multi-brand, Omni-channel" strategy after becoming the first Chinese sportswear company to reach the RMB10 billion revenue mark.

During the past year, as the Group had sought to work with a spirit of "revolution, innovation and high efficiency", we have seen significant growth across all our brands and in our e-commerce business. With the Chinese Sports Delegation's participation in the 2016 Rio Olympics, ANTA's brand equity and reputation experienced uplift from its "Go Surprise Yourself" marketing campaign. We could not have been more proud to have been part of history in the making, as one after another, Chinese champions stepped onto their respective podiums wearing the ANTA Champion Dragon Outfit. Last year will also be remembered as a groundbreaking year for NBA star Klay Thompson, one of ANTA's endorsers, who continued to progress his career and set NBA records with his namesake shoes, the KT series. Last but not least, we ended the year on a high note by enlisting Manny Pacquiao, the legendary boxing champion, as an ANTA brand endorser, to collaborate with us on the promotion of ANTA's professional cross training sportswear.

FILA continued to outperform and maintained its high growth momentum. In addition to launching the cross-over Jason Wu X FILA collection, we also featured famous actress, GaoYuan Yuan, in our latest promotion campaign to showcase the chic and elegant design of FILA's products. On the e-commerce business front, the "Double 11" online shopathon

CHAIRMAN'S STATEMENT

in November saw the Group recording over 100% year-on-year growth in its online revenue. Equally important, we officially introduced the DESCENTE business into the high-end sportswear market in China with the opening of the first DESCENTE store in August. The store sells a wide range of professional gear for sports such as skiing, cross-training and running, and has generated a buzz within China's high-end sports market.

THE MAKING OF THE “ANTA WAY”– THE PATH TO SUSTAINABLE GROWTH

Last year was the prelude to a new era as the Group officially introduced the 4.0 phase of its “Single-focused, Multi-brand, Omni-channel” strategy, which confirms our growth strategy for the next five years and puts us on a path for the next decade. The road to achieving these strategic goals is built upon a foundation of shared values and teamwork supported by a strong corporate culture. Only when we are guided by the shared belief of being consumer-centric over all else, together with deep-rooted values of devotion, innovation and pushing ahead, respect and appreciation, integrity and gratitude, bonding us together, so we can travel the “ANTA Way” together.

1) Be Consumer-Centric

“Be Consumer-Centric” aims to strategically position the ANTA brand to manufacture products that meet consumers' demand and fulfil their needs. Not only each of the brand should satisfy different consumer demand, but also provide them with an enhanced experience. This requires us to conduct comprehensive preliminary studies before planning every single product line so that we can develop products with a thorough understanding of consumers in mind. In line with our “Next Step will be the Client” ethos, we ensure to keep in step with the needs of consumers by committing ourselves to excellence. We will also build a major data consumer platform and establish global consumer research centers, which will lay the foundation for our R&D projects. Meanwhile, we also plan to set up a consumer experience index, ultimately with the aim of improving the overall consumer experience.

2) Strive for Strong Market Position

“Strive for Strong Market Position” looks to bolster the brand's market influence by establishing a bigger bargaining power in the market, which in turn will consolidate our competitive market position. We believe only market leaders are able to reform the market structures, predict future trends and create consumption demand. Only when we pursue to become the market leader, we can dream big and motivate everyone in the Group to strive for our goal.

3) Motivate by Commending Contributors

Needless to say, we are only as good as our team. We need to establish the right mechanisms to measure and reward those who contribute to our success. We believe in “learning from our company's role models together” in order to realize our goals. Every staff at the Group knows that they should devote to their best, in which this commitment is one of the cornerstones of our success. This is enhanced by the performance of some outstanding members who lead the standard for others at the Group. We will continue to encourage them, reward them and help them meet their career goals. We believe it is imperative that such members are made to feel valued, satisfied and respected.

4) Innovation as the Key to Survive

Our product is the cornerstone and fundamental of our success. In order to produce excellent products, we should ‘innovate’. Innovation has always been a major pillar of our business ideology, and we believe firmly in the idea that “we will not succeed without innovation”. Constant innovation is a fundamental factor that transforms an enterprise from being merely “good” to being “great”, which is crucial for maintaining sustainable business growth and longevity. To that end, the success of our continuous increase in R&D investment is coming to fruition. In addition to our design centers in Japan and Hong Kong, we established our latest R&D and design center in the US this year with the aim of globalization. We have also recruited a large number of international talent in recent year. We put innovation first, and have started revitalizing the mechanisms, workflows and culture that underpins our innovative spirit.

The “ANTA Way” is the key to our Group's future. History will be made by those who are willing to change and dare to be different. The Group looks forward to its continuing role as a driving force behind the sports market's golden era, and to continuing our progression towards achieving our goals.





“FIGHT ON” AND EMBRACE THE NEXT GOLDEN DECADE

Looking ahead, healthy living will continue to be at the forefront of everyone’s minds and sports will become more professional. As consumers are trading up, the number of people in low to low-middle income classes will continue to decrease from now until 2025. The next 10 years will see the sports shoes and apparel markets expand, driven by mainly demand from the middle to mid-upper classes as their spending continue to see significant increase.

Future opportunities are likely to be found within the transformation of retail channels, which are reinventing traditional core channels to include shopping centers and e-commerce; specific sports categories, such as running, indoor training, outdoor sports, basketball, soccer and winter sports; and the sizable kidswear market. We hope to capture every opportunity and to provide a greater range of enhanced sports products to consumers in 2017.

Lastly, on behalf of the Board, I would like to extend my gratitude to our shareholders for their continuous support, and I would also like to express my sincere thanks to all employees for their dedication and contributions to the Group. As a team, the Group is committed to achieving steady growth while creating more value for our shareholders in the long-run.

Ding Shizhong
Chairman
Hong Kong, 22 February 2017

Gross Profit **+24.6%** to RMB **6.46** billion

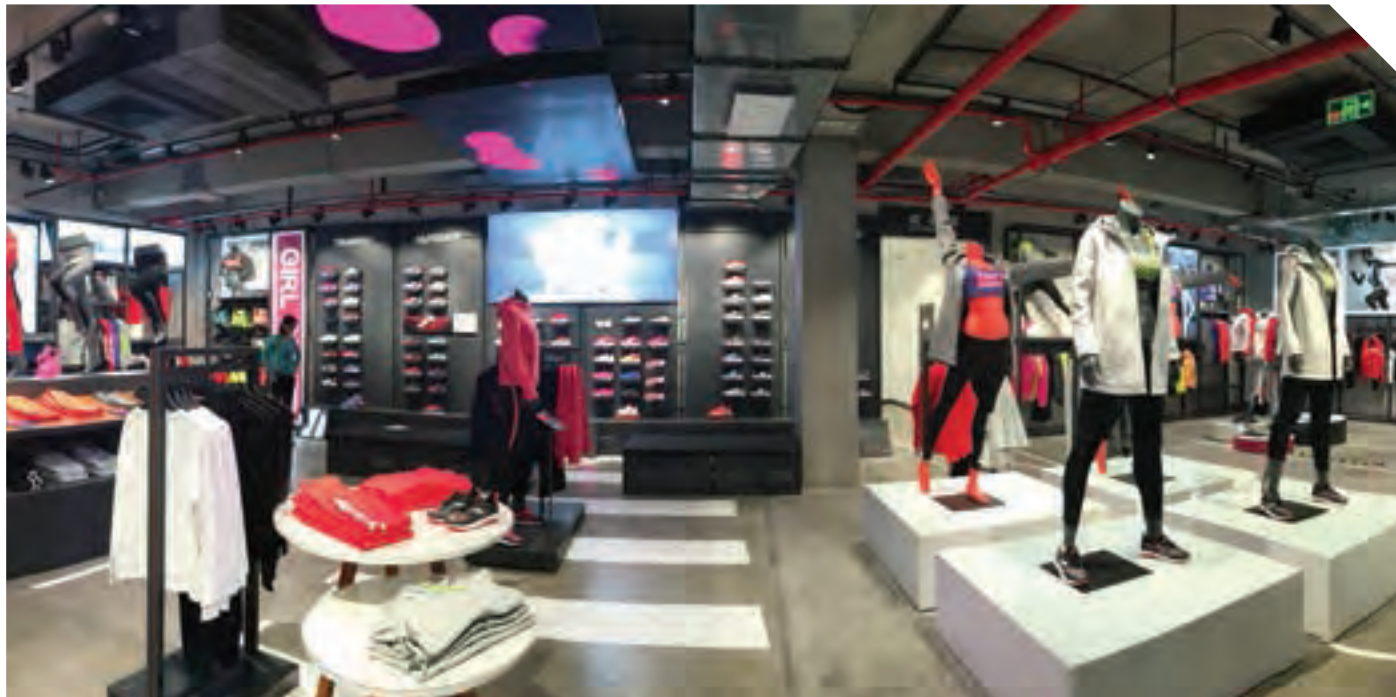
Gross Profit Margin **48.4%**



A portrait of Chinese soccer player Zheng Zhi. He is wearing a bright green quilted jacket with the 'all ANTA SOCCER' logo on the chest. He is holding a white soccer ball with green and black patterns. The background is a blurred soccer field at night with stadium lights. A large yellow arrow graphic points from the right towards the text.

Zheng Zhi,
a Chinese soccer athlete

MANAGEMENT DISCUSSION AND ANALYSIS



MARKET REVIEW

China's growing consumption as global challenges linger

Against a complex backdrop of global economic uncertainties, China's economy is gradually shifting away from its heavy reliance on exports and investment. According to the National Bureau of Statistics of China, in 2016, the country's GDP growth was 6.7%, which fell within the government's target range of between 6.5% and 7.0%. Meanwhile, the total retail sales of consumer goods in 2016 amounted to RMB33.2 trillion, a year-on-year increase of 10.4%. The total retail sales in clothing sector (including sports footwear and apparel) was RMB1.4 trillion, a year-on-year increase of 7.0%. These statistics not only revealed that the rate of growth in consumption was higher than GDP in China footwear and apparel sales maintaining with a fast-paced and solid growth, but also reflected that the country's efforts to boost domestic demand and consumption had paid off. In addition, China's per capita annual disposable income of urban residents amounted to RMB33,616,

a year-on-year increase of 5.6% after deducting price factors, which showed the spending power of the country's residents had continued to increase steadily.

In 2016, China's CPI increased 2.0% year-on-year and core CPIs for several quarters in 2016 saw a slight increase of between 1.5% and 1.6%. However, inflation was weaker than expected with continuing pressure from

the economic slowdown. Through its recent "Mass Entrepreneurship and Innovation" program, the Chinese government has strived to create a new engine for Chinese economic growth which relies on private enterprises and innovation to generate sustainable and long-term growth. These measures will help stimulate demand and provide smooth and steady GDP growth.





Although uncertainties still loom large at the macro-economic level, the market generally believes that the organic growth in consumer demand for Chinese sportswear products will grow at a steady pace.

According to the “China gets its game on: The emerging power of China’s sports and fitness industry”, written by the Economist Corporate Network, Chinese consumers will become more affluent with stronger consumption power. The report estimated that total individual consumption in 2030 will be three times higher than 2015. As the economy continues to grow, the number of people who regularly exercise will further increase. The report also estimated that the sports footwear and apparel market will see strong growth in the future. According to the report, sportswear sales will reach RMB 254 billion by 2020, a 54% jump from 2015. Hence, there are strong reasons to believe the domestic sportswear industry should have a bright outlook.

To address target niche market demands through our comprehensive brand portfolio

In light of a rapidly changing and increasingly complex consumer market, China’s sportswear brands faced with both opportunities and challenges. With the growing trend for “athleisure” fashion and the stronger demand for “functional”, “differentiated”, and “premium” sportswear products, the sportswear brands needs to be nimble in response to market demand. As such, it is necessary to speed up the production lead time from design to R&D, and from production to distribution in order to appropriately meet the demands of the consumers. Failing to do so means the sportswear brands put themselves at risk of oversupply, which leads to large retail discounts and lower profitability. In response to this challenge, the Group has implemented a highly efficient supply chain

and will leverage a new logistics center which to be put into operation soon, further reducing lead times and increasing the responsiveness to consumer needs.

Despite the continuing challenges of economic fluctuation, intense competition among domestic and international sportswear companies etc., the Group’s revenue and profit attributable to equity shareholders hit a high record during the year. ANTA again ranked number one in terms of market share in the Chinese travel and sports shoes segment, as it has done for 15 consecutive years, which was a testament to the popularity of its products. In addition to ANTA, ANTA KIDS, FILA, FILA KIDS, DESCENTE and NBA brand have all made good progress, demonstrating the success of our multi-brand and omni-channel strategies in capturing opportunities in both mass and high-end markets.

MANAGEMENT DISCUSSION AND ANALYSIS

Who Are We?

ANTA Sport Products Limited is a multi-brand company singly focusing on sportswear products

What Are Our Target Markets?

HIGH-END MARKET



DESCENTE

High-performance sportswear products for skiing, cross-training and running



FILA

Sports fashion clothing



FILA KIDS

Kid's sports fashion clothing

MASS MARKET



ANTA

Functional sportswear products for running, cross-training, basketball and soccer



ANTA KIDS

Kid's sportswear products



NBA

Functional and causal basketball sportswear products

What Retail Channels Do We Cover?



Online Stores



Street Stores

What Do We Do?

SUPPLY CHAIN MANAGEMENT

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

BRAND MANAGEMENT

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

PRODUCT MANAGEMENT

-  R&D / Innovation
-  Design
-  Quality Control

DISTRIBUTION NETWORK MANAGEMENT

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



Shop-In-Shops (Shopping Malls and Department Stores)



Outlet Stores

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

1. A SINGLE-FOCUS, MULTI-BRAND AND OMNI-CHANNEL MANAGEMENT MODEL

During the year, we realized a more sustainable earnings growth profile with our single focus, multi-brand, and omni-channel management strategies, which have generated synergy that delivered success and sustainable growth. Our brands have become more competitive, especially as the population's consumption power grows, in spite of fierce competition in the sportswear market. To maximize our reach in all market segments, we have a comprehensive distribution network in places, including street stores, shopping malls, department stores, outlet stores

and e-commerce channels. In response to changing consumer shopping behaviors, we are opening more stores inside shopping malls and department stores, improving the sales network efficiency.

Also, our brands within our brand portfolio, complement each other, meeting the different needs of the market and providing a range of differentiated products positioned to attract specific groups of consumers.

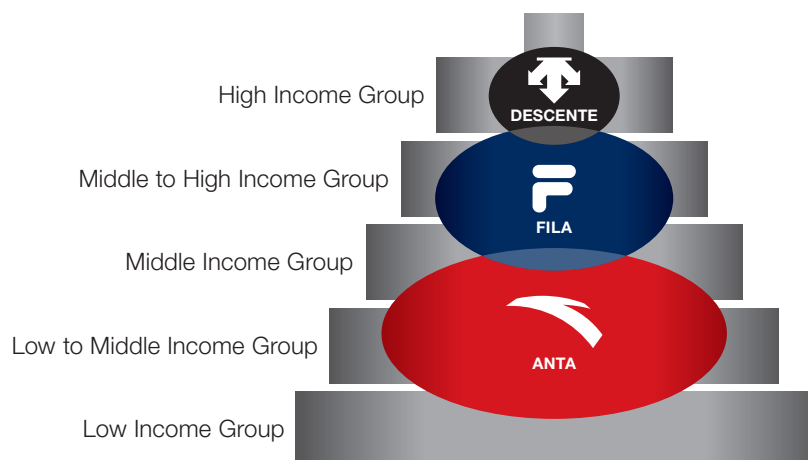
ANTA is a functional sportswear brand while ANTA and ANTA KIDS specialize in the adults' and children's sportswear in the mass market. The NBA brand provides functional and casual basketball-related sportswear to basketball enthusiasts. FILA is a high-end fashion sportswear brand and FILA KIDS provides high-end kidswear. DESCENTE is a high-performance sportswear brand that focuses on high-end market.

During the year, we were picked by Bloomberg as one of the "50 Companies to Watch in 2017" from a selection of 4,000 stocks globally. We were the only Chinese sportswear company to be listed in the ranking, and its inclusion meant that our outstanding performance and strategy were fully recognized by the market and investors. In addition, we won the "2016 Best in sector: Consumer discretionary and Consumer staples" at the IR Magazine Awards, and at the "2016 iNOVA Awards", our investor relations website was named a gold winner in the sports category. Furthermore, in recognition of our environmentally friendly practices, we were awarded the "CarbonCare® ESG Label" from the Carbon Innovation Lab. These honors reflected the recognition that our investor relations, corporate governance, innovative design and environmentally friendly practices have received from the industry and the public.

Unique Business Model - Full Coverage of Consumers and Retail Channels through Multiple Brands

Full Coverage

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



Omni-channel

- ANTA stores are mainly street stores with increasing retail network presence in shopping malls and department stores
- FILA and DESCENTE stores are mainly located in high-end shopping malls and department stores
- Leveraging online and offline retail channels to boost sales for all brands





2. BRAND MANAGEMENT

2.1 ANTA is a value-for-money functional sportswear brand

ANTA is a functional sportswear brand which targets the mass market and is committed to providing consumers with value-for-money and professional sport products. Leveraged by the powerful sponsorship resources, brand equity and R&D capabilities, ANTA has become one of the leading domestic brands in footwear, apparel and accessories in China, and has a stronger advantage in running, cross training, basketball and soccer products etc.

Since 2009, we have engaged in a strategic partnership with the COC and CSD. During the Olympic cycles of 2009 to 2012 and 2013 to 2016, our high-quality winning outfits have often become the focal point of major sporting events. Moreover, we have also sponsored 24 Chinese national teams within the five major sporting management centers, including water sports, winter sports, boxing and taekwondo, gymnastics and weightlifting, wrestling and judo. During competition and training, all members of these national teams were well-equipped with our professional sporting gears. Our strong alliance with the COC and CSD have not only enhanced the credibility of our products but also further strengthened our brand image of representing China's sporting essence.

As the sportswear partner of the COC, ANTA had unveiled the "Go Surprise Yourself" marketing campaign with the aim to encourage athletes to cease the monopoly of their opponents, keep breaking world records and create their own legends in the Rio Olympics in Brazil. Through the "Go Surprise Yourself" campaign, ANTA hopes to promote the Olympic motto of "Faster, Higher, Stronger"; and to encourage every participant to challenge themselves. Rio Olympics is the second Olympic Games we joined hands with the COC to tailor-made winning outfits for the CSD since 2009, as well as a year to have the highest number of Chinese national teams wearing our tailor-made professional competition gear.

Furthermore, at the launch ceremony for Champion Dragon Outfit for the CSD, ANTA worked with Samsung to create a virtual reality experience using the Samsung smartphone and beta version of the Samsung Gear VR. The unique visual experience meant that each attendee was able to watch the launch event as if it was taking place at the Rio Olympic Stadium at the same time as they were watching the launch of the Champion Dragon Outfit, and the use of mobile technology gave everyone a distinctive Olympic experience to enhance the correlation of ANTA, the COC and the CSD. At the same time, we placed advertisements on CCTV during the broadcast of the Olympic Games, specifically timing them to coincide with the gymnastics and weightlifting competitions, in which the Chinese teams are more popular among Chinese viewers. Given the different

time zones, the finals in live broadcasts in the Rio Olympics usually happened at the midnight period in China. Besides to place advertisements in traditional TV channels, ANTA also worked with various social media. For instance, ANTA not only inserted product placements and sponsored outfit for the reporters in Olympics News Room managed by Tencent and Sina, but also launched a joint promotion campaign with Weibo to direct viewers to our e-commerce platforms to stimulate sales performance. ANTA also integrated event marketing with various online platforms during the Olympics. For example, when China won its first gold medal, the ANTA online website released a "first medal" special edition T-shirt. Further to that, ANTA partnered with Tmall to launch the "ANTA-Tmall Super Brand Day" during which consumers participated various interactive games and had a chance to win the Champion Dragon Outfit and Olympics designated products such as champion's T-shirts. According to a poll on the impact of sponsorship related to the Rio Olympics conducted by Ipsos, a leading global research company, there was a 17% increase in ANTA's brand awareness during the Rio Olympics, resulting in a new milestone of our marketing effectiveness.

In order to strengthen our product differentiation, ANTA launched the ANTA Intelligent Technology Plan to promote the ANTA running time APP and our new Intelligent Running Shoes during the 30th Olympic Day Run, which was sponsored by ANTA for eight consecutive years. The unique capabilities of our smart running

MANAGEMENT DISCUSSION AND ANALYSIS

shoes have allowed ANTA to better connect with a new group of runners, which has ultimately heightened the public's awareness of our running products. Furthermore, ANTA was not only supporting the brand new "Challenge 100" event with renowned Chinese ultra-marathon runner, Chen Penbin, but was also bringing its upgraded ANTA "Challenge 100" functional running shoe to the vast running enthusiasts. Following the undertaking made last year, the ANTA "Challenge 100" functional running shoe continued to support Chen Penbin's new journey across five cities namely Beijing, Shanghai, Xiamen, Shenzhen and Chongqing where he completed the 100 km challenge per station. Meanwhile, around 20,000 runners were recruited in over 1,000 running teams to complete the 100 km relay per station. It was worth mentioning that the champion team of relay races from those five cities departed to Brazil in August together with Chen Penbin, and completed the final station of the "Challenge 100" event in Rio de Janeiro, the host city of the 2016 Olympics.

Cross training product series become more popular due to the rise of indoor fitness activities. During the year, legendary Filipino boxing champion, Manny Pacquiao, who was the first and only professional boxer to win world boxing titles in eight different weight categories, became ANTA's latest brand endorser. This partnership has not only brought mutually beneficial for Manny Pacquiao, one of the world's top professional boxer, and ANTA, a leading sportswear brand in China, but the collaboration also encouraged a "Fight On" spirit among customers and was a major step forward for the ANTA training series. Having already made progress in the world of basketball and running, this latest partnership served as an engine for growth for the brand's cross-training products. In anticipation of growth in this sector, ANTA has already cooperated with Chinese boxers, such as Zou Shiming and Yang Lianhui, as we seek to develop presence in this sporting segment. To make our marketing campaigns more effective and more interactive, we have

utilized our sponsorship resources and made use of various communications channels, including social media, to increase our brand and product awareness.

Meanwhile, our "Basketball is Priceless" lineup consists of four NBA players, namely Klay Thompson, Kevin Garnett, Rajon Rondo and Luis Scola, not only form a star-studded team on the basketball court, but are also a powerful assembly of top NBA resources for a Chinese sportswear brand. The ANTA KT series continues to support Klay Thompson, the Golden State Warriors' sharpshooter. Since the launch of ANTA's KT series basketball shoes in late 2015, we received overwhelming response from global basketball lovers, making it the fastest growing NBA player-endorsed series amongst all ANTA products. In addition to the original KT1, special edition KT models

were introduced in tandem with the epic NBA Playoffs and Finals, and became instant hits. The launch of the KT series was one of the most closely watched endorsement deals of a Chinese brand in recent years and a bold move by Klay Thompson, who left a legacy brand for his namesake line and is building a legacy for his namesake shoes. We are also proud that Klay Thompson was selected to be a member of the US Olympic basketball team, the Dream Team of the United States, wearing ANTA's KT series for the Rio Olympics. Klay Thompson scored 60 points in a game in December, not only set a new career high, but also a NBA record for points under 30 minutes. Going forward, we will launch more special edition of KT series along with a range of advertising activities in order to drive the sales of ANTA basketball product series.





Chinese government has placed an increased emphasis on the development of soccer and has launched a series of reforms to develop the soccer industry, with the aim of cultivating the quality and skills of young players. For example, the State Council released the “National Fitness Plan (2016-2020)” in order to accelerate the development of the sports industry and promote sports consumption. The Football Plan calls for an establishment of 20,000 specialty football training schools, enlisting 30 million school students to be playing the sport. These initiatives are expected to create a strong pool of talent for soccer exercise, improving the standards and accelerating the overall development of soccer in China. As such, we launched the “PLAY IS ALL” soccer initiative in late 2015 as well as value-for-money soccer series for teenagers and adults in 2016, which featured Zheng Zhi, the former Asian Footballer of the Year and the current captain of China’s national soccer team as the ambassador. The program is designed to encourage teenager participation in soccer and to drive

the long term growth of soccer in China. We also cooperated with different schools and organizations to arrange various soccer events to allow more children to enjoy the fun of soccer.

2.2 NBA Brand

In 2014, ANTA became the official marketing partner of NBA China and licensee of the NBA, allowing us to use the NBA logo as well as the logos of the current 30 NBA teams, NBA’s legendary teams and NBA events on our basketball shoes and accessories. This is the first time for the NBA to launch co-branded products with a domestic sportswear brand. We believe that our collaboration with NBA will enhance ANTA’s professional brand image, influence in the basketball market and intensify loyalty to our brand.

In order to meet different needs of both adults and children, we have launched a series of basketball shoes in partnership with the NBA, including the “League Series”, which features the NBA logo, and the “Team

Series” which was inspired by NBA team logos and incorporated their colour schemes into the design of the shoes. Apart from basketball shoes, we also launched NBA-themed accessories including backpacks, socks and wristlets etc. NBA series are not only available at ANTA offline stores, but also on ANTA’s e-commerce platforms, which include ANTA’s official online flagship store (anta.cn), Tmall (anta.tmall.com) and JD stores (anta.jd.com).

MANAGEMENT DISCUSSION AND ANALYSIS



2.3 ANTA KIDS

In addition to maintaining our lead in the professional sportswear market for adults, we offer ANTA KIDS sportswear products since 2008 to tap the high growth potential in the China kids' sportswear market. Following the implementation of the two-child policy by the Chinese government, it is widely expected that the growth in kids market segment will accelerate. Currently, this market remains fragmented and it is believed that well-established brands have a distinct advantage than new players. We were the first domestic sportswear brand to enter this market and since then, ANTA KIDS has proven to be very popular due to the strong credibility of our products and value-for-money. ANTA KIDS is well-positioned to take advantage of the huge opportunities in this market in the future.

We are committed to offering fashionable, protective and comfortable products for children aged between 3 and 14. Apart from running, basketball, outdoor, cross-training and lifestyle series, we have also included the "ANTA-NBA" co-branded series as part of the product portfolio since 2014 when we established our partnership



with the NBA China. These co-branded products feature trademarks of the NBA and some of its popular NBA teams, which have been particularly popular among young basketball fans. In response to the government's participation and support for the development of youth soccer, we entered the soccer market to capture market potential and introduced well-designed and functional children soccer shoes, which have been priced as low as RMB199. As more children demand functional sportswear with value-for-money for soccer activities and school competitions, the ANTA KIDS soccer series has achieved satisfactory results in terms of sales since its launch in the fourth quarter of 2015.

To ensure children can enjoy happy and healthy lives, our ANTA KIDS sportswear series not only nurture children aged 3 to



14 to develop a strong brand loyalty to us, but also satisfy a range of needs as they grow up. We have utilized our website and popular social media platforms to promote the quality of our products and nurture children's passion for sports through a series of promotional campaigns.

During the year, ANTA launched a series of in-store marketing campaigns across China, which utilized our comprehensive and unique sports resources, such as our partnership with NBA China, endorsements from NBA players and Chinese athletic champions to enhance the attractiveness of the ANTA brand among parents and children. More importantly, ANTA's brand ambassador, Zheng Zhi, the current captain of China's national soccer team, has become an idol among Chinese children. Zheng Zhi has played a key role in strengthening the reputation and credibility of the ANTA KIDS soccer series by attending a number of marketing events which have attracted many young fans.



2.4 FILA and FILA KIDS

During the year, FILA continued to grasp more attention from the high-end consumers. GaoYuanyuan, a renowned Chinese female celebrity, started featuring in FILA advertising campaign in the PRC, together with our ambassador, Chris Evans, a popular Hollywood actor, better product offerings by cross-border collaboration with Jason Wu, as well as overall improvement in brand recognition in China, have resulted in the promising sales growth during the year. The addition of new stores was also an important factor that contributed for the brand's growth in market share.

FILA was established in Italy in 1911, after acquiring the FILA business in PRC in late 2009, we have repositioned it as a high-end sports fashion brand. As a global sportswear brand with over 100 years of history, FILA's unique combination of stylish and sporty image has gained awareness among the Chinese high-end consumers. Also, FILA launched cross-over cooperation with world-renowned designers to bring differentiated sports fashion experiences to the consumers.

FILA not only provides a series of high-end and stylish sportswear products, but it has also launched men's underwear, FILA INTIMO and FILA RED, that use cutting-edge

materials and fabric made with state-of-the-art technology, such as superlight cotton, poly-memory span and poly span icefil. FILA's crossover series includes FILA Ginny, designed by renowned American fashion designer, Ginny Hilfiger, who integrates her simple, trendy yet elegant design style with FILA's "Modern Vintage" essence into the FILA Ginny Line. Since the end of 2015, we cooperated with New York-based Chinese American fashion designer, Jason Wu, to develop the "Jason Wu X FILA" cross-over series, earning acclaims from consumers. The design of the collection was inspired by the colors and stitching material of tennis sports, combining the elements of tennis with unique and meticulous tailoring. This







design not only included elements of Jason Wu's personality, but also retained the Italian style of the FILA brand combining high-end fashion with sports. In 2016, we also hosted Jason Wu's very first fashion show in Beijing with FILA, which showcased the "Jason Wu X FILA Spring Summer 2017 Collection" and was very successful in terms of improving awareness of the brand.

During the year, FILA collaborated with former Wimbledon champion Marion Bartoli, to launch the LOVE FILA series, lifting sportswear to new standards and creating a new trend in tennis sports. LOVE FILA attracted the attention of a number of international tennis stars before the official launch, with many renowned athletes participating in several international tournaments wore this series. On the other hand, with the aim to target the high-end children's market, FILA also launched FILA KIDS which inherited the elegant and unique style of the FILA brand. The new line attracted significant attention in the high-end market.

FILA is renowned at combining sponsorship resources with different marketing channels in order to strengthen the influence of the brand. In addition to utilizing celebrity endorsements and product placements on multiple promotion channels, FILA also sponsored CCTV's Rio Olympics reporting team, providing support to CCTV journalists between stadiums and arenas during the Rio Olympics Games. The reporting crew dressed in FILA-products showcased the outstanding attitude and groomed appearance in delivering timely, comprehensive and compelling news coverage of the Rio Olympics Games. FILA is also the official sponsor of sportswear uniform for Hong Kong's Olympic squad of China of the Rio Olympics Games and the official sportswear partner of the Hong Kong Table Tennis Association. All of these partnerships have created opportunities for FILA to showcase its tradition and unique style, attracting consumers' attention at major international sporting events.





2.5 DESCENTE

During the year, we formed a joint venture with DGR, and a subsidiary of ITOCHU Corporation, operating and engaging in the business of design, sale and distribution of all categories of products bearing the “DESCENTE” trademarks in China. DESCENTE provides premium sportswear products related to skiing, cross-training and running etc., in China.

Founded in 1935 in Osaka, Japan, DESCENTE has over 80 years of experience, incorporating cutting-edge technology, fabric, quality and a fit that is second to none. Driven by passion and persistence, the origins of brand name and logo came from long-term interest in skiing. “Descente” means downhill skiing in French whereas the logo represents the three basic skiing techniques of schussing, traversing and sliding. DESCENTE has led the ski industry in expertise, functionality and innovation for more than 50 years, resulting in the creation of competition gears worn by gold medal-winning national ski teams and becoming the preferred choice for professional skiers in Europe, North America and Asia. The brand has applied its extensive knowledge to develop a broad range of premium and functional sportswear products since it established. In 2010, DESCENTE launched the Outdoor series to redefine the meaning of “outdoor activities”. With the perfect blend of professionalism and cutting-edge designs, the products are breathable and water-proof at



the same time, creating the best sportswear for outdoor activities. In addition to ski and outdoor collections, DESCENTE's series include Allterrain, Golf, Training, and summer and winter premium sports lifestyle options for men and women.

Capitalizing on the competitive advantages of DESCENTE, we further expand our presence across China in winter sports market. In August, we reached a new milestone with the opening of the first DESCENTE store in China through the JV Group. The addition of DESCENTE brand helped the Group further enhance its offering of high-end professional sportswear products, a crucial part of our multi-brand strategy. The first new store is located in the Changchun Charter Shopping Center, a landmark in the prime retail shopping district of Changchun, the capital of Jilin Province in northeastern China,

followed by several stores located at Beijing, Dalian and Shenyang etc. According to the "China gets its gone on: The emerging power of China's sports and fitness industry" written by Economist Corporate Network, skiing has been steadily growing its popularity in China. Since 2000, China has increased its number of ski resorts more than ten-fold to nearly 600 in 2015, with approximately 13 million skier visits. Winter sports in China would be on track for major boost from the 2022 Beijing Winter Olympics. The Chinese government also aggressively promotes winter sports and targets to increase the number of winter sports participants to 300 million skier visits in the future. We are confident that DESCENTE will become a successful sportswear brand in China, meeting the demand of a fast-growing niche market ahead of the 2022 Beijing Winter Olympics.



Chen Penbin,
a Chinese ultra-marathon athlete





Profit from Operations **+18.8%**
to RMB **3.20** billion

Operating Profit Margin **24.0%**

MANAGEMENT DISCUSSION AND ANALYSIS



3 DISTRIBUTION NETWORK MANAGEMENT

3.1 Omni-channel Management

With a retail-oriented strategy, we have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the year, we have optimized our retail management capability according to the characteristics of consumers in different brands, while enhancing our retail channels, including street stores, shopping malls, department stores, outlet stores and e-commerce platforms in China.





We organize various trade fairs to launch and sell new season's collections of products of ANTA and ANTA KIDS. These fairs occur approximately six months ahead of the introduction of a new season's products to market to allow smooth order placement and product manufacturing. During the year, ANTA introduced over 1,700, 3,600 and 1,200 new styles to our footwear, apparel, and accessories portfolios respectively, catering to the demands of all ANTA targeted consumers. Through offering professional sportswear products featuring value-for-money, we have established a nationwide distribution network for ANTA, creating a competitive advantage in second- and third-tier cities. In order to match the shopping behaviors of targeted consumer groups, most ANTA stores are operated in a street format. Meanwhile, we are also actively expanding our presence in large shopping malls and department stores. On the other hand, the children's sportswear market has experienced rapid growth in

the past few years and the momentum is expected to remain strong, supported by the implementation of the two-child policy. In view of the promising opportunities in this market, ANTA KIDS sportswear series with the value-for-money and comfortable products successfully targets children aged 3 to 14 in the mass market. ANTA KIDS stores also focus on second- and third-tier cities.

While the mass market is expected to grow rapidly, the potential of the high-end market should not be overlooked. High-end consumers tend to pay attention to details and prefer personalized products, as such, FILA and DESCENTE have created a platform to capture the high-end fashionable and professional sportswear market respectively. With the view of targeting the high-end children's market, FILA launched FILA KIDS, targeting at high-end children, FILA KIDS continued to gain awareness in high-end market through incorporating the

unique style and grace of the FILA brand into FILA KIDS products. DESCENTE, FILA and FILA KIDS' stores are mainly operated at first- and second-tier cities, and mainly located in shopping malls and department stores.

The sustainable growth of our distribution network as well as quality of stores, including the location, size, efficiency and decorations are more important than the number of stores. Hence, we have restructured smaller size and less efficient stores while opening larger and more attractive stores in prime locations so as to improve our overall efficiency. As at 31 December 2016, the total number of ANTA stores (including ANTA KIDS standalone stores) was 8,860 (end of 2015: 8,489), FILA (including FILA KIDS standalone stores) had a total of 802 stores (end of 2015: over 640) and DESCENTE had a total of 6 stores.

MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Improving Retail Management Capacity

To capture market opportunity, we adopt comprehensive retail-oriented strategies towards all brands.

Firstly, we have built retail-oriented mindset and appraisal system. We always believe that the most effective approach to retail channel management is to consider ourselves a retail company. Hence, we emphasized retail efficiency in our corporate culture and values, and have established a consumer-oriented retail management and appraisal system to measure our performance according to the retail operating data.

Secondly, our retail data and market information are shared with our suppliers and retailers. An effective communication mechanism contributes to the success of our retail-oriented strategy. From the product planning stage, we work closely with retailers to gather customer feedbacks in order to develop products that are truly welcomed by the mass market. Analysis of and feedbacks on product sales performance gathered by our real-time monitoring system are shared with our retailers on a regular basis. Such timely market information and retail data also enable us to stay abreast of consumer demands and to formulate more accurate, ordering guidelines and replenishment forecasts for retailers.



Thirdly, we strive to provide precise order guidelines to retailers to prevent inventory pile-up. We believe that healthy inventory levels can prevent large retail discounts and enhance retailers' profitability and sustainability. Therefore, we aim to provide precise order guidelines on a per store basis, so as to allow greater accuracy in orders and to stabilize in-store inventory levels. We also encourage our retailers to be flexible in taking replenishment orders so as to reduce their inventory risks. At the same time, well-managed clearance channels, including outlet stores and e-commerce platforms enable our distributors to reduce inventory pressure at a faster pace.

Fourthly, we strictly require all of our retailers to follow our retail-related policies. In order to strengthen their competitiveness and profitability, we thoroughly examine our retailers' store opening and closure plans and ensure that strict retail policies are implemented. We insist on projecting a consistent store image across our nationwide distribution network and standardization of product display equipment and pop materials which highlight the quarterly marketing themes. During the year, we continued to encourage retailers to upgrade their store layouts in line with our latest store image.

Fifthly, we optimize retailers' operating performance and store efficiency. We have adopted flattened sales management and have streamlined our effective distribution structure so as to facilitate better interaction with retailers. Through our comprehensive monitoring system (including real-time ERP system, weekly reports submitted by our POS and channel checks by our sales teams), we are able to closely monitor retailers' performance and carry out immediate measures to help improve the operational efficiency of our stores.

Sixthly, our brands reach the ultimate customers through nationwide distribution

network. The seventh-generation store layout helps showcase our distinctive brand image. With the renovation and upgrade of our stores in progress, we will be able to offer customers a more pleasant shopping experience, thus increasing the sales and store efficiency. Store decorations and promotional materials such as in-store posters and product display equipment are provided to retail stores to highlight the marketing themes and product story of the season. During the year, we also further optimized our visual merchandising to put our signature products in the spotlight.



MANAGEMENT DISCUSSION AND ANALYSIS

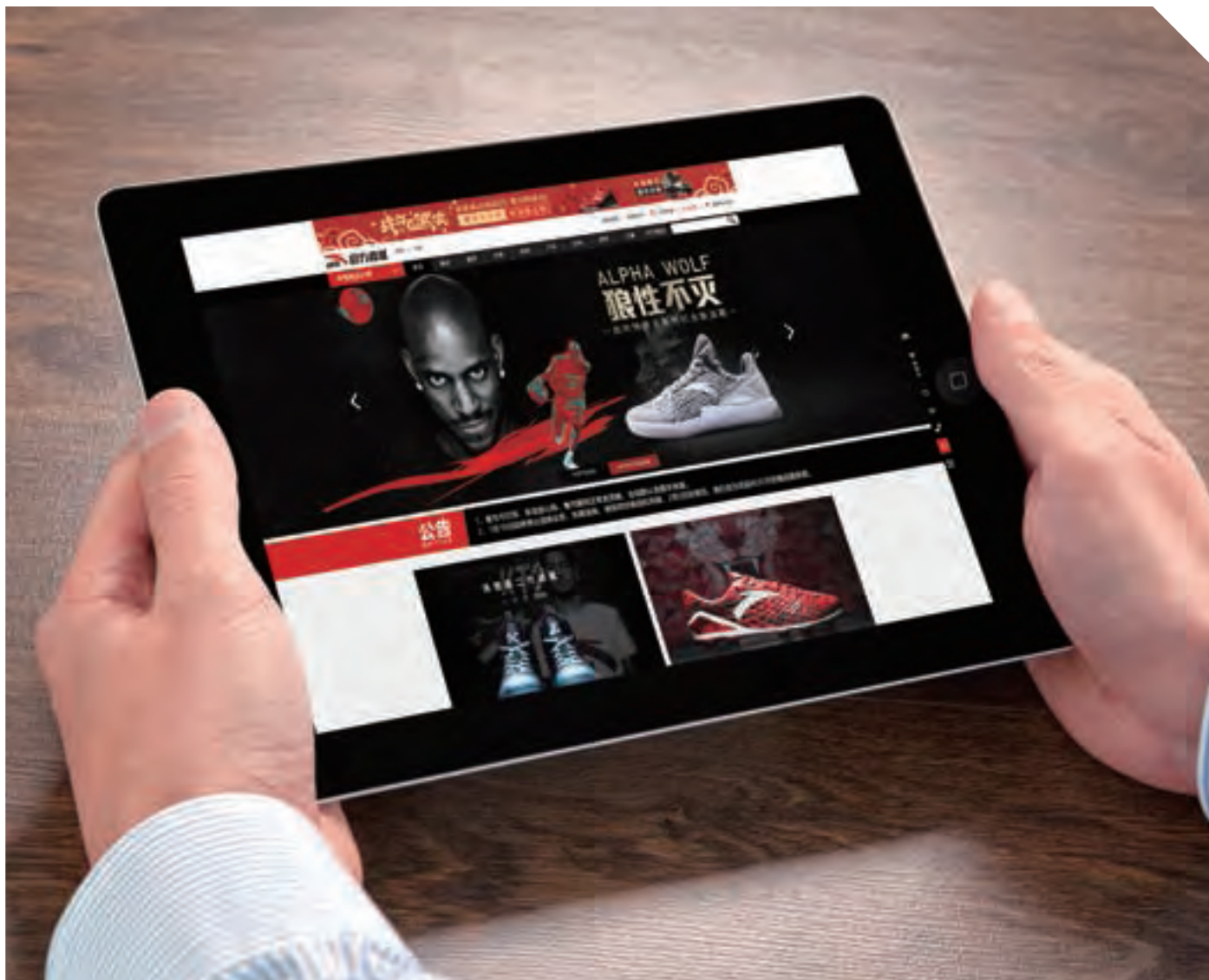
3.3 E-commerce Business

Our efforts to grow our direct-to-consumer e-commerce business during the year were fruitful, and we believe this strategy will benefit long-term revenue and profitability. Through a channel offering a wide range of online exclusive products and in-season products of ANTA, ANTA KIDS, FILA, FILA KIDS and NBA brand, our e-commerce business was no longer a channel for clearing inventor. In contrast, it has already developed into a comprehensive and interactive platform which makes the online shopping experience more convenient, ensures reliable delivery and offers great after-sales services. In addition to our official online flagship store (anta.cn), we have

collaborated with renowned e-commerce platforms, including Tmall, JD.com, Vipshop and among others, which helped to boost online sales and our market influence. Under our strict sales guidelines and policies, we only allow authorized third party online retailers to sell our products online and we agree to allow some of our outstanding offline distributors to sell ANTA products online, with the aim of maximizing the mutual benefits between web-based stores and brick-and-mortar shops.

During the Singles' Day online shopping festival in 2016, our e-commerce retail sales set a new record high and the aggregate amount doubled from the same period last year, a milestone of the Group. To maximize





the market value, we also partnered with Tmall to launch the Rio Olympics e-commerce sales campaign, related to the performance of Chinese athletes, resulting in another boom in our e-commerce business. The successful integration of sales and marketing, including products, branding, marketing, servicing, logistics and communications, helped us to achieve more breakthroughs in 2016.

We believe e-commerce business is gaining significance in our business. With the help of our experienced online sales team, we strive to attract more online shoppers. Hence, we have optimized our e-store

interface, improved product descriptions and presentations, as well as enhancing our product search and cataloging functions. We have standardized all of our online product launch schedules, query priorities and styles, which has created synergy to prevent competition among online and offline retailers. In addition, we provide all-round customer services including secure payments, well-established supply chains, fast and reliable delivery services, VIP membership and product return guarantees. Positive feedbacks from our customers contributed to our good brand reputations. Last but not least, our e-commerce business will take advantage of more responsive

delivery through our new logistics center to be put into operation soon to cater to tremendous demand from increasing online shoppers. Looking forward, e-commerce business takes an important role in our business and we will continue to explore more profitable market opportunities.

ANTA'S APPAREL TECHNOLOGY

A-ORGANIC COTTON

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

A-ANTISEPTIC

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

A-FROZEN SKIN

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

A-PROOFRAIN II

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

SORONA

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

A-COOL

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

A-PROOFRAIN I

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

A-FROZEN SKIN III

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

A-SEAMLESS

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

A-STATIC

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

A-PROOFRAIN III

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

A-SPORTS ENERGY

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



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



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



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



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



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



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



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



ANTA'S FOOTWEAR TECHNOLOGY



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



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



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



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



SUPER FLEXI helps make the flexing joint on the fore foot feel snug and comfortable



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



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



AUTO-ARCH enables greater torsion control and improves stability



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



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



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



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



PRS rotate system facilitates greater agility on the feet when spinning



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



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



A-WEB_{3.0}

A-Web employs today's most popular knitting technology, while the vamp itself is a single body which can provide a better fit and wearing experience by holding the foot tightly inside the shoe. It also adopts breathing hole design extensively, and different parts of the vamp are of different knitting densities so as to substantially enhance breathability. More importantly, A-Web 3.0 provides better cooling and ventilation compared to the second-generation version

A-FORMTM

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

A-COOLTM

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

A-STICKY^{RB}

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

A-STRATA

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

A-FIT

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

CONTROL-5WD

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

A-RENO

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

A-GRIP

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

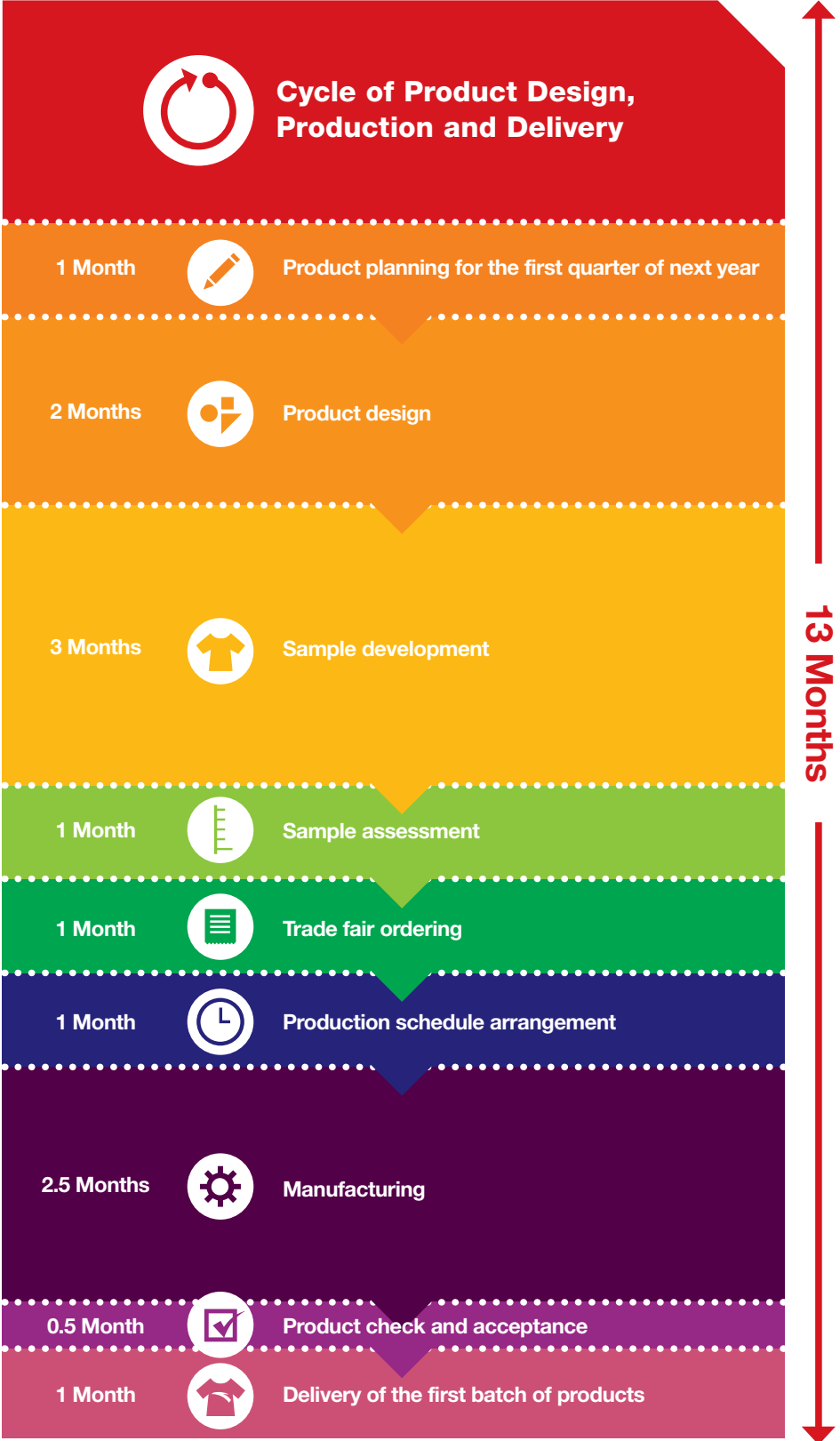
MANAGEMENT DISCUSSION AND ANALYSIS

4. SUPPLY CHAIN MANAGEMENT

Effective supply chain management plays an important role in achieving sustainable growth. As such, we have devoted effort to product innovation, quality control, as well as the responsiveness and cost-effectiveness of our supply chain, which is vital for supporting our business. By improving our supply chain, we can provide products to our clients more efficiently. During the year, we strived to enhance our R&D and supply chain capabilities with the aim of producing notably differentiated products. According to the “2016 China Consumer Market Development Annual Conference and Goods Sales Statistics” released jointly by the China General Chamber of Commerce and the China National Commercial Information Center, 2016 was the 15th consecutive year our ANTA travel and sports shoes ranked first in terms of market share. This outstanding achievement is a testament to the success of ANTA's development into a mass-market brand which continues to attract consumers across China.

Supported by high quality OEMs and ODMs, our in-house manufacturing facilities have extra capacity to meet unexpected demand efficiently and flexibly in a timely and cost-effective manner. We have also further strengthened our supply chain to shorten production lead times and to better track consumer demand. Moreover, we fully support our supply chain partners' efforts to enhance their quality controls and the efficiency of their workflows, and to improve their responsiveness to changes in the market. During the year, we were also able to keep track of additional orders, which improved our growth prospects.

We have also strategically mixed in-house production with outsourced production in order to better respond to market conditions and changes in consumer preferences. In order to be more flexible in fulfilling last minute orders and to maintain our cost-leadership position, we have further optimised the efficiency of our production process. During the year, the proportion of self-produced footwear and apparel in terms of volume sold amounted to 42.9% and 16.7% respectively (2015: 49.0% and 15.9%).



5. PRODUCT MANAGEMENT

We believe technological innovation, original design and product safety are key elements for product differentiation. In drawing upon our strong R&D capabilities, we have launched and upgraded a number of technologies for sports such as running, basketball and cross training among others. These technologies includes the A-Jelly, A-Loop, A-Strata and A-Proofrain, as well as launching the A-Web 3.0 which provides better cooling and ventilation in shoes compared with the technology's previous generation; all of which meets the changing needs of both professional and casual users. During the year, as we maintained an ongoing focus on product innovation, our R&D costs were 5.1% as a percentage of our sales costs. In addition, we launched the Intelligent Technology Plan in cooperation with top technology company Foxconn and introduced new features such as the ANTA running time APP and Intelligent Running Shoes. These products can monitor runners' movements accurately and provide consumers with an

enhanced running experience. The APP is not only connected to a chip in the shoes via Bluetooth, which provides basic GPS positioning functions and records distance, time, pace and energy consumed etc., but it also provides six metrics which monitor running posture, such as the way feet strike the surface, stride analysis, pronation and supination, time diagrams, force analytics and height from the ground. These functions will reduce the runners' chance of getting hurt and improving performance. ANTA Intelligent Running Shoes incorporates a new design with the latest A-Web technology to provide breathability and the best possible fit. The shoe sole uses cutting edge A-Silo technology to reduce stress on the runner's feet, creating a cushioning effect, while the chip used in the Intelligent Running Shoes can collect a variety of running statistics in real time. At a retail price of RMB369, the Intelligent Running Shoes were mostly welcomed by consumers who were able to enjoy a high-tech sports experience at an affordable cost. Meanwhile, the "Challenge 100" functional running shoes have been upgraded with the latest one-piece design added to the vamp, offering ultimate comfort

for ultra-long distance runners. The South-American style Rio camouflage colors were also featured in the latest design of the "Challenge 100" functional running shoes as a tribute to the running events at the 2016 Olympics in Rio de Janeiro. The upgraded "Challenge 100" functional running shoes are now available on the market for runners to enjoy this new experience.

While innovation is a key business driver, having the highest product safety standards is another important consideration for customers and market. As a sportswear company which attaches great importance to its corporate citizenship responsibilities, we strictly comply with rules to ensure that we closely follow service contracts and to continuously improve the quality of our products. As part of our shoe manufacturing process, we have progressively implemented eco-friendly systems and materials which are not utilized by other companies due to high costs, including the use of water-based adhesives. We also adopt higher industrial standards to enhance customer satisfaction. With this commitment in mind, we have cooperated and communicated



MANAGEMENT DISCUSSION AND ANALYSIS

with government authorities and external organizations with the view of offering our industry experience as a means to enhance national policies and industrial standards.

5.1 Quality Control

As our retail channels develop, our retail-oriented strategy not only seeks to improve controls, but also to develop more products that meet consumers' different needs. In a highly competitive industry, designing and producing comfortable, safe and high-quality sportswear for consumers is essential for increasing our market share, and thus throughout the whole manufacturing process, enhancing quality control is our top priority at both our own factories and at our suppliers' production facilities. Aside from embracing the internationally-recognized ISO testing standards at our own factories, which ensure all our products are in full compliance with recognized quality standards, we also conduct product tests to ensure our suppliers adopt the same standards. In addition, we continue to cooperate and communicate with the authorities and external organizations on ways to enhance national policies and standards within the industry as well as providing periodic training to employees to ensure their knowledge is kept up-to-date. We have a strict "Product Recall Management System" in place which serves as a reference point for our employees and mitigates against adverse effects resulting from selling defective products. Our distributors are also required to recall all defective products which fail to comply with regulatory requirements. Further to that, employees are not allowed to handle defective products on their own.

6. INTERNAL MANAGEMENT

6.1 Legal Compliance

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

6.2 A Congenial Workplace

Employees are a crucial part of our long-term business development strategy, and are key for delivering strong financial and operating performance and business success. We provide competitive remuneration packages and comprehensive fringe benefits to our employees, which has kept our employee turnover rate at a stable level while employee performance and productivity have been high and of good quality. We continue to employ talented individuals from a range of different backgrounds and are continuously developing our professional team. Meanwhile, we have also organized various training sessions and seminars as well as provided education subsidies to qualified employees to encourage them to follow our "keep moving" spirit. As at 31 December 2016, we had around 17,800 employees (2015: 16,700 employees) in total.

6.3 Relationship with Stakeholders

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

6.4 Our Existing 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 fluorescent lighting, while the use of air conditioning is regulated in accordance with the weather to reduce greenhouse gases and carbon emissions. Besides complying with relevant

environmental laws and regulations, we launched "ANTA Grand Forum" to serve as a communication platform for employees to share and exchange their ideas on environmental protection. More importantly, we continue to strengthen our product innovation capability by actively exploring eco-friendly materials for our products series.

7. PRINCIPAL RISKS AND UNCERTAINTIES FACING THE GROUP

7.1 Policy Risks

Risks Associated with Changes to Textile Safety Technology Policies

In 2010, the Chinese government made amendments to the "National General Safety Technical Code for Textile Products (GB18401-2010)". The amendments were put into practice on 1 August 2012 after they were approved by the Standardization Administration of the People's Republic of China (SAC). Under the revised code, certain listed textile products were banned from entering the manufacturing process, and cannot be sold nor imported. There would be a significant impact on the Group's manufacturing process and clothes sales if we were not able to meet the relevant requirements of the revised code.

7.2 Exchange Rate Risk

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

7.3 Operational Risks

Risks under Intensified Market Competition

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

Risks from Counterfeit Brands

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

Production Safety Hazards

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

Risks under Increased Sales Channel Costs

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

Product Development Risks

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

Emergencies Risks

If emergencies occur in the future, their irregularity and severity will have a certain impact on our production process and financial position.

Risks Caused by Economic Cycle Volatility and Weakened Downstream Demand

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

7.4 Management Risk

Supplier Management Risks

Despite our strict selection mechanisms and quality control system, our business may be affected by numerous different factors relating to our suppliers, including the quality

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

Risks from Talent Shortage and Loss of Talent

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

Risks from Product Transportation Management

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue Breakdown by Product Category

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

	Year ended 31 December				
	2016 (RMB million)	(% of Revenue)	2015 (RMB million)	(% of Revenue)	Changes (%)
Footwear	6,000.8	45.0	5,074.1	45.6	↑ 18.3
Apparel	6,885.7	51.6	5,591.7	50.3	↑ 23.1
Accessories	459.3	3.4	460.1	4.1	↓ 0.2
Overall	13,345.8	100.0	11,125.9	100.0	↑ 20.0



During the financial year, the Group's revenue increased by 20.0% as compared with 2015. The growth rate is higher than the growth rate of the order value of 2016 trade fairs for ANTA branded products as announced before due to the stronger pace of growth in other businesses.

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				
	2016 Gross profit (RMB million)	Gross profit margin (%)	2015 Gross profit (RMB million)	Gross profit margin (%)	Changes (% points)
Footwear	2,778.4	46.3	2,341.8	46.2	↑ 0.1
Apparel	3,509.7	51.0	2,671.2	47.8	↑ 3.2
Accessories	170.9	37.2	172.4	37.5	↓ 0.3
Overall	6,459.0	48.4	5,185.4	46.6	↑ 1.8

Due to the successful implementation of the multi-brand strategy, the Group's overall gross profit margin for the financial year improved as compared with 2015. As a result of higher contribution from FILA business, partly offsetting by the effect of launching more value-for-money high-performance footwear products, the overall footwear gross profit margin increased slightly by 0.1% point. On the other hand, as a result of the higher contribution from the FILA business, the overall apparel gross profit margin increased by 3.2% point.

Other Net Income

Other net income for the financial year amounted to RMB259.8 million (2015: RMB227.1 million), which mainly comprised of government grants of RMB274.9 million (2015: RMB234.2 million). The government grants were provided to the Group as a recognition of contribution towards the local economic development.

Operating Expenses Ratios

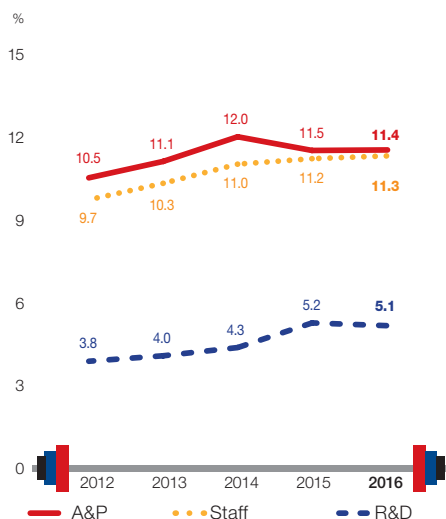
The key operating expenses ratios for the financial year were relatively stable as compared with 2015.

The ratio of advertising and promotional expenses to revenue slightly decreased by 0.1 point to 11.4%. The ratio of staff costs to revenue slightly increased by 0.1 point to 11.3%. The ratio of R&D costs to cost of sales slightly decreased by 0.1 point to 5.1%.

Operating Profit Margin

Operating profit margin decreased by 0.2 point to 24.0% for the financial year in spite of the 1.8% point increase in gross profit margin, which was mainly due to the increase in selling and distribution expenses as a result of the expansion of FILA retail operation. Moreover, the increase in administrative expenses also resulted in the decrease in operating profit margin.

OPERATING EXPENSES RATIOS



Net Finance Income

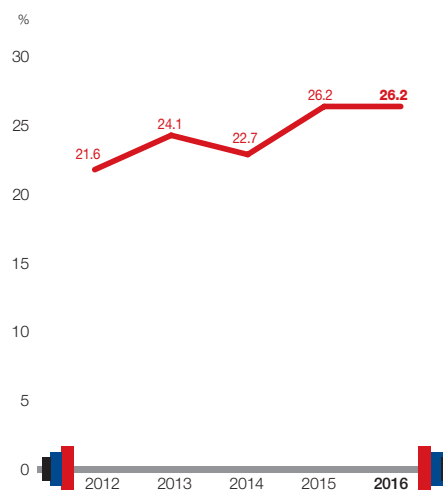
Interest income for the financial year amounted to RMB119.0 million (2015: RMB211.1 million). Such decrease was mainly driven by the decrease in average interest rate of bank deposits during the financial year and change in bank deposit currency mix.

Interest expense on bank loans amounted to RMB38.2 million (2015: RMB36.9 million) for the financial year.

Effective Tax Rate

Effective tax rate remained at 26.2% for the financial year (2015: 26.2%).

EFFECTIVE TAX RATE



Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 0.4 point to 17.9% for the financial year, which was mainly due to the decrease in operating profit margin and the decrease in net finance income.

Write-down of Inventories

During the financial year, write-down of inventories amounting to RMB7.3 million was charged to profit or loss (2015: reversal of write-down of inventories amounting to RMB9.8 million was credited to profit or loss).

Provision for Doubtful Debts

For the financial year, reversal of provision for doubtful debts amounting to RMB5.9 million was credited to profit or loss (2015: RMB8.7 million).

Dividends

The Board has recommended a final dividend of HK34 cents and a special dividend of HK8 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK34 cents per ordinary share, representing a payout of RMB1,675.0 million (2015: RMB1,423.6 million), or a distribution of 70.2% (2015: 69.8%) of the current year's profit attributable to equity shareholders.

Liquidity and Financial Resources

As at 31 December 2016, the cash and cash equivalents of the Group amounted to RMB5,830.0 million, representing an increase of RMB664.1 million as compared with the cash and cash equivalents of RMB5,165.9 million as at 31 December 2015. This is mainly attributable to:

- Net cash inflows from operating activities amounted to RMB2,467.6 million, which was nearly equal to the profit for the year, demonstrating the strong cash generation capability of the Group.
- Net cash outflows from investing activities amounted to RMB514.5 million, mainly including capital expenditures of RMB627.6 million, refund of prepayment for acquisition of land use rights amounting to RMB54.9 million, net placement of fixed deposits held at banks with maturity over three months of RMB127.4 million and the decrease in other financial assets of RMB175.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

- Net cash outflows from financing activities amounted to RMB1,398.2 million, mainly including the payments of the final and special dividends in respect of the financial year 2015 and the interim dividend in respect of the financial year 2016 amounting to RMB1,540.9 million, the net proceeds from issue of bills of exchange amounting to RMB476.9 million, the net repayment of bank loans amounting to RMB392.3 million and the payments of interest expense on bank loans amounting to RMB22.2 million and capital contribution by non-controlling interests of a subsidiary amounting to RMB100.0 million.

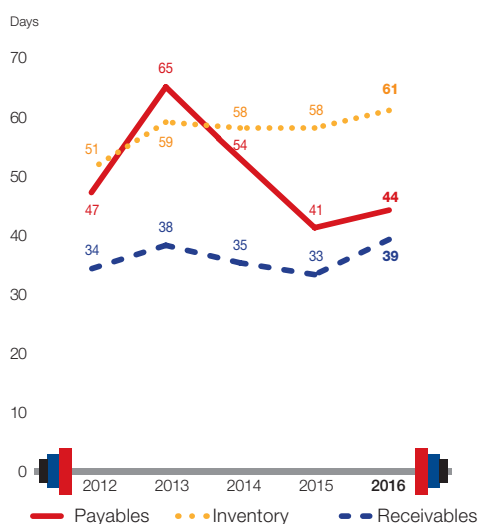
As at 31 December 2016, total assets of the Group amounted to RMB14,223.5 million, of which current assets were RMB11,453.1 million. Total liabilities and non-controlling interests were RMB4,674.9 million and total equity attributable to equity shareholders of the Company amounted to RMB9,548.6 million. The Group's gearing ratio was 10.8% as at 31 December 2016 (as at 31 December 2015: 11.4%), being a ratio of sum of bank loans of RMB937.7 million (as at 31 December 2015: RMB1,330.0 million) and bills payable of RMB600.0 million (as at 31 December 2015: RMB100.0 million) to total assets. Such bank loans (at fixed rate) and bills payable were denominated in RMB and repayable within one year.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 3 days mainly due to the increase in overall inventories as a result of the expansion of FILA retail operation. The average trade receivables turnover days and the average trade payables turnover days increased by 6 days and 3 days respectively, both of which remained at relatively normal levels.

	2016 (RMB million)	2015 (RMB million)
Year ended 31 December		
Operating cash inflow	2,467.6	1,902.9
Capital expenditures	(627.6)	(460.9)
Acquisition of interest in a subsidiary	–	(26.4)
Others	57.0	1.4
Free cash inflow	1,897.0	1,417.0
As at 31 December		
Cash and cash equivalents	5,830.0	5,165.9
Fixed deposits held at bank with maturity over three months	1,492.4	1,365.0
Pledged deposits	194.6	202.5
Other current financial assets	–	200.0
Bank loans	(937.7)	(1,330.0)
Bills payable	(600.0)	(100.0)
Net cash and cash equivalents	5,979.3	5,503.4

Assets/Liabilities Turnover Days



Capital Commitments and Contingencies

As at 31 December 2016, the Group had capital commitments of RMB1,090.6 million, primarily relating to the expansion of facilities including the construction of logistic centre.

As at 31 December 2016, the Group did not provide any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Pledge of Assets

As at 31 December 2016, the Group had bank deposits of RMB194.6 million (as at 31 December 2015: RMB202.5 million) pledged to secure bankers' documentary credits for certain contracts and construction projects.

Financial Management Policies

The Group continues to control financial risks in a prudent manner and proactively adopts internationally recognised corporate management standards to safeguard the interests of shareholders. As the functional currency of the Company is the Hong Kong dollar and the Company's financial statements are translated into RMB for reporting and consolidation purposes, foreign exchange differences arising from the translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transactions principally in RMB, the exchange rate risk at the Group's operational level is not significant. 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

The Group continues to seek business opportunities such as acquisition of and cooperation with international sportswear brands to operate brand management business so as to increase the returns on shareholders' equity. During the financial year, the Group has made no significant investments or any material acquisition or disposal of subsidiaries.

Other Supplementary Information

On 20 April 2016, we entered into an agreement with DGR and a subsidiary of ITOCHU Corporation to form the JV Group. The formation of the JV Group had been completed and the Group had contributed RMB150.0 million to the initial share capital of the JV Group, representing 60% interests of it.

Strong Financial Position

14,223.5

Total assets (RMB million)



*SOLID
CAPITAL BASE*
**SHAREHOLDERS'
EQUITY**

67%

Low gearing
**Liabilities
and others**

33%



*HIGH
LIQUIDITY*
**CURRENT
ASSETS**

81%

Light assets
**Non-current
assets**

19%

A full-page photograph of actor Chris Evans. He is wearing a black quilted FILA jacket over a bright green t-shirt. He is standing in front of a corrugated metal wall, looking off to the side with a serious expression. The image is overlaid with a large red diagonal shape on the left and a blue diagonal shape on the right.

Chris Evans,
*a Hollywood actor and FILA's
ambassador in the PRC*

Profit Attributable
to Equity Shareholders

+16.9%

to RMB **2.39** billion

Margin of
Profit Attributable
to Equity Shareholders

17.9%

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

As people become more health conscious and assume a spirit of professional sportsmanship, it is generally believed that the coming ten years will be a golden era for the Chinese sports industry. The implementation of our “Single-focus, Multi-brand, Omni-channel” strategy has driven our ability to manage multiple brands and retail profitability, while successfully maximizing the equity of every brand

through focused market positioning, unique sponsorship and marketing, product differentiation, effective distribution networks and its supply chain management model.

These attributes have enabled us to outperform in the Chinese competitive sportswear industry, lay the foundations for long-term sustainable growth and identify market opportunities in all forms of retail

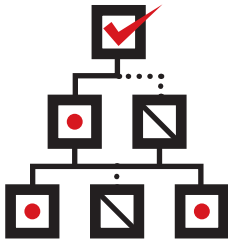
channels including online and offline as consumers’ shopping behaviors, foot traffic, demands, athletic needs are ever changing. We will continue to utilize the advantages associated with our multi-brand portfolio, namely the ANTA, ANTA KIDS, FILA, FILA KIDS, DESCENTE and NBA brand, to maximize their market reach through different channels. Our goal is to become respectable world-class, multi-brand sportswear group.



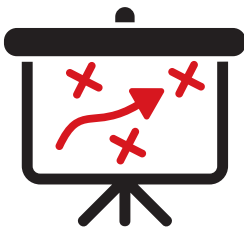
Tapping Potential Markets by Multi-Brand Strategy, Driving Long-Term Growth for the Group



Focusing on Consumer Experience, Strengthening Innovation and Differentiation of Products

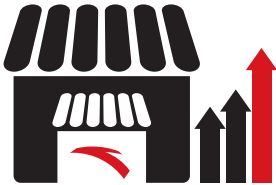


Optimizing Number of SKU, Raising Sales Volume of Best-Selling Footwear



Improving Store Efficiency and Management, Meeting Consumer Demands by Omni-Channel Strategy

**Targeted Number of Stores by End of 2017: ANTA and ANTA KIDS: 9,000-9,100
FILA and FILA KIDS: 950-1,000
DESCENTE: 50-60**



Optimizing Retail Network, Increasing % of Shop-In-Shop for ANTA



Shortening Delivery Time, Enhancing Replenishment Flexibility and Cost-Efficiency

Tapping Potential Markets by Multi-Brand Strategy, Driving Long-Term Sustainable Growth for the Group

As the main driver of the Group, the multi-brand strategy has always sought to cater to the needs of all consumers by integrating sponsorship resources, advertisements and distinct store layouts. This strategy has delivered brand differentiation, and we will continue to build on its success with all our well-positioned brands, leading way for the Group's sustainable growth in the long run. Moreover, we are optimizing the number of SKU so we can further focus on the most popular and the best hot-selling items to boost distributors' profitability. We also believe that footwear market is less competitive as the entry barrier is relatively high. In addition, comparing to apparel, impacts on sales of footwear brought by seasonality and unpredictable weather are also weaker. In view of this, we strive to enhance the differentiation of our footwear products to strategically increase footwear contributions in the long run. Meanwhile, the focus of ANTA, FILA, DESCENTE will be to continue fulfilling the niche demands of adult consumer sectors. ANTA KIDS and FILA KIDS will take advantage of the growing scale of the kidswear market, and aim for higher sales and larger market share in the future. Meanwhile, DESCENTE, which joined the Group in 2016, will target the high-end professional winter sports, cross-training and running sectors, and capture market opportunities arising from the upcoming 2022 Winter Olympics in Beijing. The fact that more and more sports enthusiasts and sports participants in China having precise demands on their appearance, sports performance, sports equipment, functional and premium sportswear provides a greater room for the Group to further explore the potentials and opportunities in functional sportswear market. We believe that, different focuses of different brands will be able to cater the tastes of different customer groups thus further reinforcing the Group's multi-brand strategy.

Focusing on Consumer Experience, Strengthening Innovation and Differentiation of Products

Drawing upon our R&D resources and partnerships with renowned designers, we will continue to make exceptional products with innovative technology and a craftsman's spirit

to meet the specific needs of various types of customers. In addition to R&D and design centers in China, we have established design centers in Japan and US to bring more talents with different culture and background to work with us. These can help improve comfort and offer all-round protection, creating a better sporting experience for our customers. More importantly, R&D and design center set up in the US will also help the Group to better serve the NBA players. Since the launch of our ANTA Running Time APP and Intelligent Running Shoes, we have focused on advancing our technological capabilities to ensure we create smart products which are fully compatible with the APP and online platform, and are ones that enable our consumers to enjoy healthy and professional sporting experiences. In the meantime, we are also strategically enhancing our product mix and expanding our shoe product range to fulfill increasing demand for premium and functional products.

Elsewhere, the FILA and FILA KIDS brands will continue to produce fashionable products and partner with renowned designers and celebrities to launch unique merchandise. DESCENTE products, which incorporate cutting-edge technology and state-of-the-art fabrics to enhance quality and fit, are now available in retail shops in China. We will continue to thoroughly satisfy the needs of consumers by focusing on their shopping experience in online and offline platforms. We also plan to enrich the in-house design capability for the DESCENTE business. We are always devoted to offer better consumer experience in offline retail stores. We will continue to provide better store layout, product display and customer service, to let consumers and sports enthusiasts experience the functionality and quality of our products and thereby enhance their athletic performance and promote sports enthusiasm in China.

Improving Store Efficiency and Management, Meeting Consumer Demands by Omni-Channel Strategy

To maintain the long-term sustainability of all retail channels, we will continue to implement our retail-oriented strategy to help our retailers maximize profitability and enhance store efficiency; this includes adopting attractive store layouts, renovating stores, and properly managing orders and in-store inventories. As shopping habits and traffic across city tiers have been changing, we are in the progress of moving some of our non

performing street stores to shopping malls and department stores, while continuing to prioritize store efficiency and open more attractive stores in prime locations. At the end of 2017, we expect to have a total of 9,000-9,100 ANTA stores (including ANTA KIDS standalone stores) and a total of 950-1,000 FILA stores (including FILA KIDS standalone stores). We also aim to increase market share by leveraging our advantages to boost the competitiveness of each sales channel. Meanwhile, our DESCENTE brand opened its first store in China in August 2016 and is expected to open 50 stores to 60 stores by the end of 2017. In light of strong growth on e-commerce platforms, we will introduce more exclusive online products, enhance our partnerships with popular e-commerce platform operators, as well as harness the power of big data analytics and social media, to create a connected and integrated platform. These will not only create a synergy between online and offline stores but will also produce greater win-win outcomes.

Achieving Sustainable Growth by Operational Efficiency and Cost Competitiveness

Operational efficiency and cost competitiveness are two key elements in delivering sustainable growth. We improved our store efficiency and management, meeting consumer demands by omni-channel strategy and responsive supply chain. With the aid of our new logistics center, which will be put into operation soon, we will be able to shorten the delivery time and replenish hot-selling items in a more frequent and responsive manner. The automated logistics base will further enable us to shorten delivery time and meet the consumer trends and demands, as well as to reduce the labor cost and become more cost-effective.

The logistics center will increase the flexibility and cost efficiency of the replenishment system, so the Group can reduce the reliance of trade fair model. Hence, we will strategically adjust the mix of future orders placed at trade fairs and replenishment orders to better respond to market demand. In the future, we will enhance the collection and analysis of real-time data through upgrading our ERP system so as to better monitor the performance of retailers, as well as identifying consumer demands to ensure we sell a range of products which are user-centric.

INVESTOR INFORMATION



Share Information

Listing Day: 10 July 2007
Board lot size: 1,000 shares
Numbers of shares in outstanding: 2,502,471,100 shares
(As at 31 December 2016)



Stock Codes

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



Dividends

HK cents	2012	2013	2014	2015	2016
Interim dividend	23	19	25	30	34
Final dividend	17	22	28	30	34
Special dividend	8	7	8	8	8



Important Dates

22 February 2017	Annual results announcement
6 April 2017	Annual general meeting
12 April 2017 4:30 p.m.	Record date of 2016 final dividend and special dividend
On or about 26 April 2017	Payment date of 2016 final dividend and special dividend
31 December 2017	Financial year end date of 2017



Investor Relations Contacts

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

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

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Email: antasports@citigate.com.hk



@Antalnsight



Anta Insight

IR Website



Wechat
Official
Account



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 2016.

Principal Place of Business

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

Principal Activities and Business Review

The principal activities of the Group are the manufacturing, trading and distribution of sporting goods, including footwear, apparel and accessories, in the PRC. The principal activities and other particulars of the subsidiaries are set out on pages 128 to 131 of the annual report.

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 20 to 59 of the annual report. This discussion forms part of this directors' report.

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

Major Customers and Suppliers

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

	2016 Percentage of the Group's total Sales	2016 Percentage of the Group's total Purchases	2015 Percentage of the Group's total Sales	2015 Percentage of the Group's total Purchases
The largest customer	4.6%		4.6%	
Five largest customers in aggregate	18.0%		19.8%	
The largest supplier		5.6%		5.1%
Five largest suppliers in aggregate		22.1%		21.6%

At no time during the financial year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the 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 the annual report.

Financial Statements

The profit of the Group for the year ended 31 December 2016 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 85 to 131 of the annual report.

Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB2,385,546,000 (2015: RMB2,040,573,000) have been transferred to the reserves. Other movements in reserves are set out in note 26 to the financial statements.

An interim dividend of HK34 cents per ordinary share (2015: HK30 cents per ordinary share) was paid on 26 September 2016. The Directors now recommend the payment of a final dividend of HK34 cents per ordinary share (2015: HK30 cents per ordinary share) and a special dividend of HK8 cents per ordinary share (2015: HK8 cents per ordinary share) in respect of the year ended 31 December 2016.

REPORT OF THE DIRECTORS

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB9,142,000 (2015: RMB3,012,000).

Non-current Assets

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

Bank Loans and Bills Payable

Particulars of bank loans and bills payable of the Group as at 31 December 2016 are set out in notes 20 and 21 to the financial statements respectively.

Share Capital

Details of the movements in share capital of the Company during the financial year are set out in note 25 to the financial statements.

Purchases, Sales and Redemptions of Listed Securities

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.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

There were no material acquisitions and disposals of subsidiaries and associated companies during the financial year.

Pre-emptive Rights

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

Directors

The Directors during the financial year were:

Executive Directors

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

Independent Non-Executive Directors

Mr. Yeung Chi Tat (*AC*, *NC*, *RMC*)
Mr. Lu Hong Te (*AC*, *RC*, *NC*)
Mr. Dai Zhongchuan (*AC*, *RC*, *RMC*)

AC: Audit Committee

RC: Remuneration Committee

NC: Nomination Committee

RMC: Risk Management Committee

Details of the Directors' biographies have been set out on pages 80 and 81 of the annual report.

In accordance with article 87 of the Company's articles of association, Mr. Wang Wenmo, Mr. Wu Yonghua and Mr. Lu Hong Te will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

Pursuant to code provision A.4.3 of Appendix 14 to the Listing Rules (the “Code”), any further appointment of independent non-executive director who served more than 9 years shall be subject to a separate resolution to be approved by the shareholders. Mr. Lu Hong Te, an Independent Non-Executive Director, has served the Board for more than 9 years and is due to retire by rotation at the forthcoming AGM. During the tenure of office, Mr. Lu had performed his duties as an independent non-executive director to the satisfaction of the Board. After taking into account all the factors for assessing independence as set out in Rule 3.13 of the Listing Rules and considering his annual confirmation of independence to the Company, the Board is of the opinion that Mr. Lu maintains his independence notwithstanding the length of his service and believes that his valuable knowledge and experience continue to generate significant contribution to the Board, the Company and the Shareholders as a whole. A separate ordinary resolution will be proposed for his re-election at the forthcoming AGM.

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

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

As at 31 December 2016, the Directors and chief executives of the Company and their associates had the following interests in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”):

Interests in Shares and underlying Shares and associated corporations

Name of Directors	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of Shares interested	Number of underlying Shares interested ⁽²⁾	Approximate percentage of interest in such corporation ⁽¹⁾
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,383,071,000 (L) ⁽³⁾	–	55.27%
	Anta International	Founder of a discretionary trust	4,144 (L) ⁽³⁾	–	41.44%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,374,625,000 (L) ⁽⁴⁾	–	54.93%
	Anta International	Founder of a discretionary trust	4,084 (L) ⁽⁴⁾	–	40.84%
Mr. Lai Shixian	Company	Interest of spouse	160,875,000 (L) ⁽⁵⁾	–	6.43%
	Company	Beneficial owner	–	5,250,000 (L)	0.21%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141 (L) ⁽⁶⁾	–	11.41%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601 (L) ⁽⁷⁾	–	6.01%
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	–	0.03%
	Company	Beneficial owner	–	400,000 (L)	0.02%

(L) — Long Position

Notes:

- (1) As at 31 December 2016, the number of outstanding ordinary shares of the Company and of Anta International were 2,502,471,100 and 10,000 respectively.
- (2) The interests in underlying Shares represent the interests in share options granted pursuant to the Company's share option schemes, details of which are set out in the section entitled “Share Option Schemes” below.
- (3) 1,373,625,000 Shares were held through Anta International, an associated corporation, representing 54.89% of the issued Shares as at 31 December 2016, and 9,446,000 Shares were held through Shine Well (Far East) Limited (“Shine Well”) directly. Shine Well is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Shine Well is held by Top Bright Assets Limited. The entire issued share capital of Top Bright Assets Limited is in turn held by HSBC International Trustee Limited (“HSBC Trustee”) acting as the trustee of the DSZ Family Trust. The DSZ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shizhong as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSZ Family Trust are family members of Mr. Ding Shizhong. Mr. Ding Shizhong as founder of the DSZ Family Trust is deemed to be interested in the Shares held by Anta International and Shine Well and 4,144 shares of Anta International held by Shine Well.

REPORT OF THE DIRECTORS

- (4) 1,373,625,000 Shares were held through Anta International, representing held 54.89% of the issued Shares as at 31 December 2016, and 1,000,000 Shares were held through Talent Trend Investment Limited ("Talent Trend") directly. Talent Trend is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Talent Trend is held by Allwealth Assets Limited. The entire issued share capital of Allwealth Assets Limited is in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shijia as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSJ Family Trust are family members of Mr. Ding Shijia. Mr. Ding Shijia as founder of the DSJ Family Trust is deemed to be interested in the Shares held by Anta International and Talent Trend and 4,084 shares of Anta International held by Talent Trend.
- (5) The interests of Mr. Lai Shixian in the Company are held through Anda Holdings, which holds 160,875,000 Shares, representing 6.43% of the issued Shares as at 31 December 2016. Spring Star Assets Limited holds the entire issued share capital of Anda Holdings, which is in turn held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust is an irrevocable discretionary trust set up by Mr. Lai Shixian's spouse, Ms. Ding Yali, as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DYL Family Trust are issue of Ms. Ding Yali. Ms. Ding Yali as founder of the DYL Family Trust is deemed to be interested in the Shares held by Anda Holdings and Mr. Lai Shixian is also deemed under the SFO to be interested in the interests of his spouse, Ms. Ding Yali.
- (6) The interests of Mr. Wang Wenmo in Anta International are held through Fair Billion Development Limited, which holds 1,141 shares of Anta International, representing 11.41% of the issued share capital of Anta International as at 31 December 2016. The entire issued share capital of Fair Billion Development Limited is held by Asia Bridges Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust is an irrevocable discretionary trust set up by Mr. Wang Wenmo as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WWM Family Trust are family members of Mr. Wang Wenmo. Mr. Wang Wenmo as founder of the WWM Family Trust is deemed to be interested in the 1,141 shares of Anta International held by Fair Billion Development Limited.
- (7) The interests of Mr. Wu Yonghua in Anta International are held through Spread Wah International Limited, which holds 601 shares of Anta International, representing 6.01% of the issued share capital of Anta International as at 31 December 2016. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.

Save as disclosed above, as at 31 December 2016, 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 2016, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short positions in the Shares and underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in Shares/underlying Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of interest in the Company
HSBC Trustee	Trustee (other than a bare trustee) ⁽¹⁾	1,660,455,000 (L)	66.35%
Anta International	Beneficial owner	1,373,625,000 (L)	54.89%
Allwealth Assets Limited	Interest in controlled corporation ⁽¹⁾	1,374,625,000 (L)	54.93%
Shine Well	Interest in controlled corporation ⁽¹⁾	1,373,625,000 (L)	54.89%
	Beneficial owner ⁽¹⁾	9,446,000 (L)	0.38%
Talent Trend	Interest in controlled corporation ⁽¹⁾	1,373,625,000 (L)	54.89%
	Beneficial owner ⁽¹⁾	1,000,000 (L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation ⁽¹⁾	1,383,071,000 (L)	55.27%
Anda Holdings	Beneficial owner	160,875,000 (L)	6.43%
Ms. Ding Yali	Founder of a discretionary trust ⁽²⁾	160,875,000 (L)	6.43%
	Interest of spouse ⁽³⁾	5,250,000 (L)	0.21%
Spring Star Assets Limited	Interest in controlled corporation ⁽²⁾	160,875,000 (L)	6.43%

(L) — Long Position

Notes:

- (1) The interests of HSBC Trustee in the Company are held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 54.89%, 6.43%, 4.62%, 0.38% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 9,000 Shares as trustee for persons unrelated to the substantial shareholders.

HSBC Trustee was the trustee of the DSZ Family Trust and the DSJ Family Trusts and it held the entire issued share capital of Top Bright Assets Limited and Allwealth Assets Limited, which in turn held the entire issued share capital of Shine Well 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 1,373,625,000 Shares held by Anta International. Accordingly, HSBC Trustee, Top Bright Assets Limited, Allwealth Assets Limited, Shine Well and Talent Trend were indirectly interested in the 1,373,625,000 Shares held by Anta International. 9,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright Assets Limited were also deemed to be interested in the 9,446,000 Shares held by Shine Well. 1,000,000 Shares were held by Talent Trend directly. Accordingly, HSBC Trustee and Allwealth Assets Limited were also deemed to be interested in the 1,000,000 Shares held by Talent Trend.

HSBC Trustee was the trustee of the DYL Family Trust and it held the entire issued share capital of Spring Star Assets Limited, which in turn was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Holdings. Accordingly, HSBC Trustee and Spring Star Assets Limited were deemed to be interested in the 160,875,000 Shares held by Anda Holdings.

HSBC Trustee was the trustee of the DHM Family Trust and it held the entire issued share capital of Sackful Gold Limited, which in turn was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Investments. Accordingly, HSBC Trustee and Sackful Gold Limited were deemed to be interested in the 115,500,000 Shares held by Anda Investments.

- (2) Spring Star Assets Limited was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anda Holdings and therefore was deemed to be interested in all the 160,875,000 Shares held by Anda Holdings.

The entire issued share capital of Spring Star Assets Limited was held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust was an irrevocable discretionary trust set up by Ms. Ding Yali as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DYL Family Trust were issue of Ms. Ding Yali. Ms. Ding Yali as founder of the DYL Family Trust was deemed to be interested in the 160,875,000 Shares held by Spring Star Assets Limited.

- (3) Ms. Ding Yali was deemed under the SFO to be interested in the 5,250,000 underlying Shares of her spouse. Mr. Lai Shixian, an Executive Director of the Company, which may be issued to Mr. Lai Shixian upon exercise of options granted to Mr. Lai Shixian under the Pre-IPO share option scheme, details of which are set out in the section entitled "Share Option Schemes" below.

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other person or corporation having an interest or short positions in Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 30 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) ("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 18 December 2015.

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

On 18 December 2015, ANTA China and Quanzhou Anda entered into an agreement to renew the existing packaging material supply arrangement ("Packaging Material Supply Agreement") for a term of 3 years from 1 January 2016 to 31 December 2018 in relation to the supply of paper packaging materials, including but not limited to, cardboard cases, paper bags and shoe boxes, from Quanzhou Anda to the Group from time to time on normal commercial terms which are no less favourable than those terms made available to the Group from independent third parties.

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

Quanzhou Anda is an associate of Mr. Ding Shizhong and Mr. Lai Shixian (both of them are Executive Directors of the Company) respectively under Rule 14A.12 of the Listing Rules and is therefore a connected person of the Company. The transactions contemplated under the Packaging Material Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

During the financial year, the Group's purchase of paper packaging materials from Quanzhou Anda amounted to RMB41,951,000.

REPORT OF THE DIRECTORS

2. Master Services Agreement with Mr. Ding Shijia

On 18 December 2015, the Company entered into an agreement with Mr. Ding Shijia (for and on behalf of certain entities) for a term of 3 years from 1 January 2016 to 31 December 2018 for the provision of certain services by those entities to the Group ("Master Services Agreement"). Those entities are entities or corporations which are directly or indirectly controlled by Mr. Ding Shijia and/or collectively with his associates (including without limitation his family members and or close relatives) or in which any of the above persons had an interest ("Relevant Entities"), and those services are the leasing of transportation vehicles, land and properties (including leases of land, factory premises, warehouses, staff quarters and offices), and provision of warehouse management services and logistic services by the Relevant Entities to the Group subject to the terms and conditions of the Master Services Agreement ("Relevant Services").

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

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

During the financial year, service fees for the provision of Relevant Services to the Group by Mr. Ding Shijia (for and on behalf of the Relevant Entities) amounted to RMB19,681,000.

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

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to Hong Kong Stock Exchange.

Permitted Indemnity Provision

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Directors' Remuneration

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

Arrangements to Purchase Shares or Debentures

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

Competing Business

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

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

Retirement Schemes

The Group participates in several defined contribution retirement schemes which cover the Group's eligible employees in the PRC, and a Mandatory Provident Fund Scheme for the employees in Hong Kong. Particulars of these retirement schemes are set out in note 22 to the financial statements.

Share Option Schemes

(a) Pre-IPO Share Option Scheme

Pursuant to the shareholders' written resolution passed on 11 June 2007, the Company adopted a Pre-IPO share option scheme. The purpose of the Pre-IPO share option scheme is to give the employees of the Group an opportunity to have a personal stake in the Company and help motivate employees to optimise their performance and efficiency, and also to retain employees whose contributions are important to the long-term growth and profitability of the Group.

Under the Pre-IPO share option scheme, 16,000,000 options were granted on 12 June 2007. A Director and 37 employees of the Group were given the rights to subscribe for shares of the Company at a consideration of HK\$1.00 for the grant of options. The exercise price per Share pursuant to the Pre-IPO share option scheme was determined at 20% discount to the global offering price. Each option granted under the Pre-IPO share option scheme has vesting periods of 1 year to 3 years commencing from the date of listing of the Company on the Main Board of the Hong Kong Stock Exchange ("Listing Date"). The Group has no legal or constructive obligation to repurchase or settle any of these options in cash. No option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of options granted and to be granted to that person in any 12-month period up to the date of the latest grant exceeds 1% of the issued Shares from time to time.

No further options were granted under the Pre-IPO share option scheme on or after the Listing Date.

The Pre-IPO share option scheme shall be valid and effective for a period of 10 years from the adoption of the scheme on 11 June 2007.

As at 31 December 2016, the total number of Shares which may be issued upon the exercise of all outstanding options granted under the Pre-IPO share option scheme is 5,888,000, representing 0.24% of the issued Shares.

REPORT OF THE DIRECTORS

The options outstanding under the Pre-IPO share option scheme during the financial year were as follow:

Name or category of participant	Number of options					As at 31 December 2016	Exercise price per Share	Date of grant	Vesting period	Exercise period
	As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year					
Director										
Mr. LAI Shixian	1,575,000	-	-	-	-	1,575,000	HK\$4.224	12 June 2007	1 year from the Listing Date	10 July 2008 to 10 June 2017
	1,575,000	-	-	-	-	1,575,000	HK\$4.224	12 June 2007	2 years from the Listing Date	10 July 2009 to 10 June 2017
	2,100,000	-	-	-	-	2,100,000	HK\$4.224	12 June 2007	3 years from the Listing Date	10 July 2010 to 10 June 2017
	5,250,000	-	-	-	-	5,250,000				
Other employees (including ex-employees)										
In aggregate	150,000	-	-	-	-	150,000	HK\$4.224	12 June 2007	1 year from the Listing Date	10 July 2008 to 10 June 2017
	56,000	-	(56,000) ⁽¹⁾	-	-	-	HK\$4.224	12 June 2007	2 years from the Listing Date	10 July 2009 to 10 June 2017
	825,000	-	(337,000) ⁽²⁾	-	-	488,000	HK\$4.224	12 June 2007	3 years from the Listing Date	10 July 2010 to 10 June 2017
	1,031,000	-	(393,000)	-	-	638,000				
Total	6,281,000	-	(393,000)	-	-	5,888,000				

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$18.90.

(2) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$20.67.

(b) Share Option Scheme

The Company has adopted a share option scheme ("Share Option Scheme") pursuant to the shareholders' written resolution passed on 11 June 2007. The purpose of the Share Option Scheme is to motivate Eligible Persons (as defined below) 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 below), to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

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

- any proposed executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("Employee"), 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 ("Executive");
- a director or proposed director (including an independent non-executive director) of any member of the Group;
- a direct or indirect shareholder of any member of the Group;
- 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.

(the persons referred above are the “Eligible Persons”)

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

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

- (a) the nominal value of a Share;
- (b) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the offer date; and
- (c) the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date.

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years from the adoption of the scheme on 11 June 2007.

As at 31 December 2016, the total number of Shares which may be issued upon the exercise of all outstanding options granted under the Share Option Scheme is 5,477,900, representing 0.22% of the issued Shares.

REPORT OF THE DIRECTORS

The options outstanding under the Share Option Scheme during the financial year were as follow:

Name or category of participant	Number of options					As at 31 December 2016	Exercise price per Share	Date of grant	Vesting period	Exercise period
	As at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year					
Director										
Mr. Zheng Jie	400,000	-	-	-	-	400,000	HK\$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	400,000	-	-	-	-	400,000				
Other employees (including ex-employees)										
In aggregate	6,034,900	-	(957,000) ⁽¹⁾	-	-	5,077,900	HK\$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	6,034,900	-	(957,000)	-	-	5,077,900				
Total	6,434,900	-	(957,000)	-	-	5,477,900				

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$21.10.

Corporate Governance

In respect of the year ended 31 December 2016, save as disclosed in the Corporate Governance Report on pages 71 to 79 of the annual report, all the code provisions set out in the Code (as defined in the Corporate Governance Report) were met by the Company.

Confirmation of Independence

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2016 and at any time up to the latest practicable date.

Auditors

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

By order of the Board



Lam Jim
Company Secretary

Hong Kong, 22 February 2017

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 such as internal control, fair disclosure and accountability to all shareholders.

Saved as disclosed below, the Company complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in the Code during the financial year. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

(A) The Board of Directors

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

The Board takes responsibility to oversee all major matters of the Company, including the formulation and approval of all policy matters, overall strategies, internal control and risk management systems, and monitoring of the performance of the senior management. The Directors make decisions objectively in the interests of the Company. Currently, the Board comprises 9 Directors, including 6 Executive Directors and 3 Independent Non-Executive Directors:

Executive Directors

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

Independent Non-Executive Directors

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

Their biographical details and relationships (some of the Directors are related to each other) are set out in the section entitled "Directors and Senior Management" in the annual report.

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

Compliance with the Model Code for Directors' Securities Transactions

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

Chairman and Chief Executive Officer

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

CORPORATE GOVERNANCE REPORT

Appointments, Re-election and Removal of Directors

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

Independent Non-Executive Directors

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

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

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

Board Diversity Policy

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

Training and Support for Directors

Directors must keep abreast of their collective responsibilities. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to Directors and senior management where appropriate, to ensure awareness of best corporate governance practices.

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

Types of Training	
<i>Executive Directors</i>	
Mr. Ding Shizhong	B
Mr. Ding Shijia	B
Mr. Lai Shixian	A, B
Mr. Wang Wenmo	B
Mr. Wu Yonghua	A, B
Mr. Zheng Jie	B
<i>Independent Non-Executive Directors</i>	
Mr. Yeung Chi Tat	A, B
Mr. Lu Hong Te	A, B
Mr. Dai Zhongchuan	B

A: attending seminars and/or conferences and/or forums relating to directors' duties or other relevant topics

B: reading newspaper, journals and updates relating to the economy, general business or directors' duties etc.

Board Committees

The Board has established Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee (collectively “Board Committees”) with defined terms of reference. The terms of reference of the Board Committees are posted on the websites of the Company and Hong Kong Stock Exchange. The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company’s expenses.

Audit Committee

The Audit Committee is responsible for ensuring the establishment and compliance with the internal control system of the Company, the compliance with the applicable accounting principles and practices, any applicable laws and the listing rules of the stock exchange on which the shares of the Company are listed, and liaison among shareholders, management, certified independent auditors and internal auditors of the Group, etc. The Audit Committee meets regularly with the Company’s external auditors to discuss the audit process and accounting issues (and in the absence of management if appropriate). The terms of reference of the Audit Committee are in line with the code provisions of the Code. Currently, members of the Audit Committee comprise Mr. Yeung Chi Tat (chairman), Mr. Lu Hong Te and Mr. Dai Zhongchuan, all of whom are Independent Non-Executive Directors.

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

During the financial year, the Audit Committee considered the annual results of the Group for the year ended 31 December 2015 and the interim results of the Group for the 6 months ended 30 June 2016 as well as the reports prepared by the external auditors relating to 2016 annual audit and interim review plans and major findings in the course of audit/review. In addition, it reviewed the Company’s compliance with the Code and the regulatory and statutory requirements, and the disclosure in this Corporate Governance Report.

Remuneration Committee

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

During the financial year, the Remuneration Committee reviewed the remuneration packages of the Executive Directors and senior management for the year ended 31 December 2015, the remuneration packages for the renewal of Director’s contracts and the adjustment of remuneration of all the Independent Non-Executive Directors.

Nomination Committee

The 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 Nomination Committee also reviews the structure, size and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The terms of reference of the Nomination Committee are in line with the code provisions of the Code. Currently, members of the Nomination Committee comprise Mr. Lu Hong Te (chairman), Mr. Yeung Chi Tat, both being Independent Non-Executive Directors, and Mr. Lai Shixian, an Executive Director.

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

CORPORATE GOVERNANCE REPORT

Risk Management Committee

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

During the financial year, the Risk Management Committee reviewed and approved the internal audit reports and the annual audit plan provided by the internal audit team mentioned below, and considered that the Group's internal audit function is effective. The annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2016 has been conducted, details of which are set out in the section entitled "(C) Risk Management and Internal Control" below.

Meetings

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

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting
No. of meetings held for the year ended 31 December 2016	6	2	3	2	5
<i>Executive Directors</i>					
Mr. Ding Shizhong	4*	N/A	3	N/A	N/A
Mr. Ding Shijia	4*	N/A	N/A	N/A	N/A
Mr. Lai Shixian	4*	N/A	N/A	2	3*
Mr. Wang Wenmo	4*	N/A	N/A	N/A	N/A
Mr. Wu Yonghua	6	N/A	N/A	N/A	N/A
Mr. Zheng Jie	6	N/A	N/A	N/A	N/A
<i>Independent Non-Executive Directors</i>					
Mr. Yeung Chi Tat	6	2	N/A	2	5
Mr. Lu Hong Te	5*	2	3	2	N/A
Mr. Dai Zhongchuan	6	2	3	N/A	5

* Those Directors were considered to have interest on the matters discussed in the meetings not attended and therefore abstained from voting at such meetings.

All Directors are provided with relevant materials relating to the matters brought before the meetings at least 3 days in advance. All Directors have access to relevant and timely information, and they can ask for further information or retain independent professional advisors if necessary. They also have access to the advice and services of the Company Secretary, who is responsible for providing Directors with Board papers and related materials and ensuring that Board procedures are followed. Where queries are raised by Directors, steps would be taken to respond as promptly and fully as possible. All Directors have the opportunity to include matters in the agenda for Board meetings. Reasonable notices of Board meetings are given to the Directors, and the Board's procedures comply with the articles of association of the Company, as well as relevant rules and regulations.

Conflict of Interest

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

Company Secretary

Mr. Ling Shing Ping was the company secretary of the Company and resigned with effect from 1 March 2016, and Mr. Lam Jim was appointed as a company secretary of the Company with effect from 1 March 2016. Details of the change of company secretary were set out in the Company's announcement dated 29 February 2016. Mr. Lam Jim is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. During the financial year, Mr. Lam has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules. The biographical details of Mr. Lam is set out in the section entitled "Directors and Senior Management" in the annual report.

(B) Financial Reporting

Financial Reporting

The Directors acknowledge their responsibilities for preparing the accounts. The Board, supported by the Chief Financial Officer and the finance department, is responsible for the preparation of the financial statements of the Group. In the preparation of financial statements, the International Financial Reporting Standards, Hong Kong Financial Reporting Standards, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Listing Rules have been adopted, the appropriate accounting policies have been consistently used and applied, and reasonable judgements and estimates are properly made. The Board aims to present a clear and balanced assessment of the Group's performance in the annual and interim reports to the shareholders, and make appropriate disclosure and announcements in a timely manner. The Board was not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

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

External Auditor's Remuneration

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

During the financial year, the fee payable to KPMG in respect of its audit services provided to the Group was RMB5,665,000 (2015: RMB4,475,000). Fees for non-audit services for the financial year comprise service charges for the following:

	2016 RMB'000	2015 RMB'000
Review of interim results	900	850
Tax advisory (service rendered by KPMG Advisory (China) Limited)	150	271
Risk management and Internal control review (service rendered by KPMG Advisory (China) Limited)	600	530
ESG reporting advisory (service rendered by KPMG Advisory (China) Limited)	152	—
Other non-audit service	220	75
Total	2,022	1,726

CORPORATE GOVERNANCE REPORT

(C) Risk Management and Internal Control

Goals and Objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Risk Management Committee. The Risk Management Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Risk Management Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2016.

Main features of the risk management and internal control systems

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

Board

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

Risk Management Committee

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

Management

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

Internal Audit Team

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

Process Used to Identify, Evaluate and Manage Significant Risks

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

Risk Monitoring and Reporting

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

The Group has engaged KPMG Advisory (China) Limited as its risk management and internal control review adviser to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2016. Such review is conducted annually. The scope of review was previously determined and approved by the Risk Management Committee. KPMG Advisory (China) Limited has reported major findings and areas for improvement to the Risk Management Committee. All recommendations from KPMG Advisory (China) Limited are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considered that the risk management and internal control systems are effective and adequate.

Internal Audit Function

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

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

Whistleblowing Policy

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

Information Disclosure Policy

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

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

CORPORATE GOVERNANCE REPORT

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

Enquiries to the Board

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

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

Annual General Meeting

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

The 2016 AGM was held on 6 April 2016. The attendance record of the Directors at the AGM is set out below:

	AGM
<i>Executive Directors</i>	
Mr. Ding Shizhong (<i>Chairman</i>)	1
Mr. Ding Shijia	1
Mr. Lai Shixian	1
Mr. Wang Wenmo	1
Mr. Wu Yonghua	1
Mr. Zheng Jie	1
<i>Independent Non-Executive Directors</i>	
Mr. Yeung Chi Tat	1
Mr. Lu Hong Te	1
Mr. Dai Zhongchuan	1

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

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

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

Constitutional Documents

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

Investor Relations

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

By order of the Board

A handwritten signature in black ink, appearing to be 'Jim' with a stylized flourish at the end.

Lam Jim
Company Secretary

Hong Kong, 22 February 2017

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ding Shizhong (丁世忠), aged 46, is the Chief Executive Officer, the Executive Director and the Board Chairman of the Company. He is primarily responsible for the overall corporate strategies, brand management, planning and business development of the Group. He joined the Group in July 1994 and has dedicated to expand and promote the Group's business and to develop China's sporting goods industry.

He personally obtained the following recognition:

Year	Awards
1998	The Eminent Young Entrepreneur of Jinjiang
2000	Top Ten Eminent Young Entrepreneurs of Fujian
2004	Top Ten Brand Talents in China
2006	Top Ten Outstanding Young Persons in China
2008	Ernst & Young Entrepreneur of the Year – China
2009	World Economic Forum – Youth Global Leader
2009	China Business Leaders Awards – Public's Choice of CEO
2014	Outstanding Contributor to the Building of Socialism with Chinese Characteristics
2014	2014 Chinese Business Leaders Annual Award

He is holding the following public offices:

Year	Public Offices
2008	National People's Congress deputy
2009	The 8th Organising Committee member of All-China Sports Federation
2010	Deputy chairman of China Sporting Goods Federation
2010	Committee member of China Youth Entrepreneurs Association
2012	Vice president of Samaranch Foundation
2012	Executive committee member of All-China Federation of Industry and Commerce

Mr. Ding is the younger brother of Mr. Ding Shijia, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a director of Anta International, which holds 54.89% of the issued Shares.

Mr. Ding Shijia (丁世家), aged 52, is the Executive Director and the Board Deputy Chairman of the Company. He is primarily responsible for the management of the Group's footwear operations. He joined the Group in July 1994 and has over 20 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. From December 2011 to December 2016, Mr. Ding was Jinjiang City People's Congress standing deputy. Mr. Ding is the elder brother of Mr. Ding Shizhong, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a director of Anta International, which holds 54.89% of the issued Shares.

Mr. Lai Shixian (賴世賢), aged 42, is the Chief Operating Officer, the Executive Director and the Vice President of the Company. He is primarily responsible for the supply chain and administrative management of the Group. He joined the Group in March 2003 and has over 10 years of experience in administrative management. Mr. Lai holds an EMBA degree from China Europe International Business School. Since 2011, Mr. Lai has been a member of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Lai is the brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors. He is also a director of Anta International, which holds 54.89% of the issued Shares. Mr. Lai is an independent non-executive director of China Lilang Limited (stock code: 1234) which is listed on the Hong Kong Stock Exchange.

Mr. Wang Wenmo (王文默), aged 60, is the Executive Director of the Company. He is primarily responsible for the management of the Group's apparel operations. He joined the Group in June 2000 and has over 20 years of experience in the apparel industry. Mr. Wang is the cousin of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors.

Mr. Wu Yonghua (吳永華), aged 46, is the Executive Director and the Group Sales President of the Company. He is primarily responsible for the Group's sales and marketing management. He joined the Group in October 2003 and has over 10 years of experience in sales and marketing in China. Since 2011, Mr. Wu has been Xiamen City People's Congress deputy.

Mr. Zheng Jie (鄭捷), aged 49, is the Executive Director of the Company and the Brand President of ANTA. He is primarily responsible for brand and product management. He joined the Group in October 2008 and has over 10 years of experience in the field of marketing management, including over 8 years in the China division of an international sportswear brand as the sales vice president and the general manager. Mr. Zheng holds a bachelor's degree in management science from Shanghai Fudan University.

Independent Non-Executive Directors

Mr. Yeung Chi Tat (楊志達), aged 47, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in business administration from the University of Hong Kong and a master's degree in professional accounting from Hong Kong Polytechnic University. He is the fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He is also the president of the International Financial Management Association Hong Kong headquarters, the Greater China Development Working Committee member of The Association of Hong Kong Accountants, a vice-president of Hong Kong General Chamber of Wine and Spirits and founding deputy president and council member of the Hong Kong Independent Non-Executive Director Association. From January 2015 to June 2016, Mr. Yeung was a council member of the Hong Kong Wine Chamber of Commerce. He had previously worked at a major international accounting firm for over 10 years and possessed experience in auditing, corporate restructure and corporate finance. He is the financial controller and company secretary of Dynasty Fine Wines Group Limited (stock code: 828), and an independent non-executive director of Ta Yang Group Holdings Limited (stock code: 1991), Boer Power Holdings Limited (stock code: 1685) and Sitoy Group Holdings Limited (stock code: 1023), all of which are listed on the Hong Kong Stock Exchange. Mr. Yeung was an independent non-executive director of Billion Industrial Holdings Limited (stock code: 2299) and KFM Kingdom Holdings Limited (stock code: 3816), both of which are listed on the Hong Kong Stock Exchange, from March 2011 to May 2014 and from September 2015 to February 2016 respectively.

Mr. Lu Hong Te (呂鴻德), aged 56, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in industrial management science from National Cheng Kung University, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University. He is now a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in sales management and business competitive strategies. He also serves as a visiting professor at institutions including SGP International Management Academy, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. He is an independent non-executive director of Capxon International Electronic Company Limited (stock code: 469), China Lilang Limited (stock code: 1234) and China SCE Property Holdings Limited (stock code: 1966), all of which are listed on the Hong Kong Stock Exchange, and an independent director of Uni-President Enterprises Corp. (stock code: 1216), which is listed on the Taiwan Stock Exchange. He is also an independent director of Firich Enterprises Co., Ltd (stock code: 8076) and Lanner Electronics Inc. (stock code: 6245), the shares of which are traded in the Taipei Exchange. Mr. Lu was an independent non-executive director of Aiptek International Inc. (stock code: 6225), which is listed on the Taiwan Stock Exchange, from June 2007 to January 2014.

Mr. Dai Zhongchuan (戴仲川), aged 51, is the Independent Non-Executive Director of the Company and joined the Board in April 2009. He holds a bachelor's degree and a master's degree in economics from the Xiamen University. From June 2004 to July 2016, Mr. Dai was an associate dean of the College of Law in Huaqiao University. He is currently a deputy officer of rule of country law research center of Huaqiao University. Mr. Dai has over 20 years of working experience in legal research and holds various posts in public services in legal and judiciary area, including a deputy of the National People's Congress and an arbitrator of Quanzhou Municipal Arbitration Commission. From January 2016 to January 2017 and from January 2001 to December 2015, he was standing committee of the Quanzhou people's congress and a committee of the political consultative conference of Quanzhou. Mr. Dai is currently an independent director of Fujian Fengzhu Textile Science & Technology Co., Ltd (stock code: 600493) listed on Shanghai Stock Exchange and Xingye Leather Technology Co., Ltd (stock code: 002674) listed on Shenzhen Stock Exchange. He was an independent non-executive director of Fujian Nuoqi Co., Ltd (stock code: 1353), which is listed on the Hong Kong Stock Exchange, from June 2014 to July 2015.

Senior Management

Mr. Lam Jim (林戰), aged 46, is the Chief Financial Officer and the Company Secretary. He is responsible for overall financial and accounting affairs, treasury and company secretarial matters of the Group. He joined the Group in March 2016. He had over 20 years of experience in the field of auditing, equity research, investment and financial management. He was an executive director and chief financial officer of Soho China Limited (stock code: 410) and Top Spring International Holdings Limited (stock code: 3688) and the chief financial officer of I.T Limited (stock code: 999) and Greentown China Holdings Limited (stock code: 3900), all of which are listed on the Stock Exchange. He had worked for an international audit firm and various international investment banks for over 10 years. Mr. Lam holds a bachelor's degree in business administration from The Chinese University of Hong Kong and a master's degree in accounting and finance from The London School of Economics and Political Science. He is also a member of the Hong Kong Institute of Certified Public Accountants.

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

INDEPENDENT AUDITOR'S REPORT



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 85 to 131, which comprise the consolidated statement of financial position as at 31 December 2016, 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 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Revenue recognition: Sales to distributors

Refer to note 1 to the consolidated financial statements on page 89 and the accounting policy (T)(i) on page 125.

The Key Audit Matter

Revenue from distributors principally comprises revenue from sales of branded sporting goods, including footwear, apparel and accessories.

Every year, the Group enters into a framework distribution agreement with each distributor and, in accordance with the terms of each agreement, branded sporting goods of the Group are delivered to the location designated by the distributor which is when the risks and rewards of ownership of the sporting goods are considered to have been transferred to the distributor and the point at which revenue is recognised.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of revenue from sales to distributors included the following:

- inspecting agreements with distributors, on a sample basis, to understand the terms of the sales transactions including the terms of delivery, applicable rebate and/or discount arrangements and any sales return arrangements to assess if the Group's revenue recognition criteria were in accordance the requirements of the prevailing accounting standards;

As a part of the Group's business model, distributors place most of their orders during the various trade fairs held by the Group during the year.

We identified recognition of revenue from sales to distributors as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.

- comparing the Group's revenue from distributors with the orders recorded at the trade fairs held by the Group;
- assessing, on a sample basis, whether specific revenue transactions around the financial year end had been recognised in the appropriate period in accordance with the terms of sale as set out in the distribution agreements;
- scrutinising the sales ledger after the year end to identify significant credit notes issued and sales returns and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the correct accounting period in accordance with the requirements of the prevailing accounting standards;
- inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's 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.

INDEPENDENT AUDITOR'S REPORT

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Chung Kai Ming.



KPMG

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

22 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Revenue	1	13,345,761	11,125,941
Cost of sales		(6,886,719)	(5,940,521)
Gross profit		6,459,042	5,185,420
Other net income	2	259,784	227,066
Selling and distribution expenses		(2,830,811)	(2,211,770)
Administrative expenses		(684,643)	(504,034)
Profit from operations		3,203,372	2,696,682
Net finance income	3	107,524	132,620
Profit before taxation	4	3,310,896	2,829,302
Taxation	5	(866,327)	(741,075)
PROFIT FOR THE YEAR		2,444,569	2,088,227
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		109,293	36,021
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,553,862	2,124,248
PROFIT ATTRIBUTABLE TO:			
Equity shareholders of the Company		2,385,546	2,040,573
Non-controlling interests		59,023	47,654
PROFIT FOR THE YEAR		2,444,569	2,088,227
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of the Company		2,494,839	2,076,594
Non-controlling interests		59,023	47,654
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,553,862	2,124,248
Earnings per share	8	RMB cents	RMB cents
– Basic		95.36	81.66
– Diluted		95.16	81.48

The notes, significant accounting policies and principal subsidiaries on pages 89 to 131 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment	10	1,170,363	1,121,191
Construction in progress	11	157,024	44,544
Lease prepayments	12(a)	341,752	303,031
Prepayments for acquisition of land use rights	12(b)	153,506	255,822
Prepayments for acquisition of other non-current assets	12(c)	245,874	–
Intangible assets	13	477,520	464,138
Other financial assets	15	49,350	24,875
Deferred tax assets	24(b)	175,036	131,656
Total non-current assets		2,770,425	2,345,257
Current assets			
Inventories	16	1,294,939	1,016,128
Trade and other receivables	17	2,641,237	2,207,186
Other financial assets		–	200,000
Pledged deposits	18	194,576	202,526
Fixed deposits held at banks with maturity over three months	19	1,492,405	1,365,000
Cash and cash equivalents	19	5,829,959	5,165,859
Total current assets		11,453,116	10,156,699
Total assets		14,223,541	12,501,956
Current liabilities			
Bank loans	20	937,706	1,330,000
Trade and other payables	21	3,060,110	1,989,893
Amounts due to related parties	30(b)	7,499	8,983
Current taxation	24(a)	267,190	234,386
Total current liabilities		4,272,505	3,563,262
Net current assets		7,180,611	6,593,437
Total assets less current liabilities		9,951,036	8,938,694
Non-current liabilities			
Long-term payable to non-controlling interests – unsecured and at amortised cost		40,286	38,706
Deferred tax liabilities	24(b)	14,419	85,745
Total non-current liabilities		54,705	124,451
Total liabilities		4,327,210	3,687,713
Net assets		9,896,331	8,814,243
Equity			
Share capital	25	242,698	242,579
Reserves	26	9,305,930	8,337,087
Total equity attributable to equity shareholders of the Company		9,548,628	8,579,666
Non-controlling interests		347,703	234,577
Total liabilities and equity		14,223,541	12,501,956

The notes, significant accounting policies and principal subsidiaries on pages 89 to 131 form part of these financial statements.



Ding Shizhong
Chairman and Chief Executive Officer
Hong Kong, 22 February 2017



Lai Shixian
Chief Operating Officer



Lam Jim
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016 (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company			Non- controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Reserves RMB'000	Total RMB'000		
Balances as at 1 January 2015		242,238	7,552,919	7,795,157	209,423	8,004,580
<i>Changes in equity for 2015:</i>						
Profit for the year		–	2,040,573	2,040,573	47,654	2,088,227
Other comprehensive income for the year		–	36,021	36,021	–	36,021
Total comprehensive income for the year		–	2,076,594	2,076,594	47,654	2,124,248
Dividends approved in respect of the previous year	27(b)	–	(711,450)	(711,450)	–	(711,450)
Dividends declared in respect of the current year	27(a)	–	(622,253)	(622,253)	–	(622,253)
Shares issued pursuant to share option schemes	25	341	41,277	41,618	–	41,618
Dividend to non-controlling interests of a subsidiary		–	–	–	(22,500)	(22,500)
Balances as at 31 December 2015 and 1 January 2016		242,579	8,337,087	8,579,666	234,577	8,814,243
<i>Changes in equity for 2016:</i>						
Profit for the year		–	2,385,546	2,385,546	59,023	2,444,569
Other comprehensive income for the year		–	109,293	109,293	–	109,293
Total comprehensive income for the year		–	2,494,839	2,494,839	59,023	2,553,862
Dividends approved in respect of the previous year	27(b)	–	(801,374)	(801,374)	–	(801,374)
Dividends declared in respect of the current year	27(a)	–	(739,540)	(739,540)	–	(739,540)
Shares issued pursuant to share option schemes	25	119	14,918	15,037	–	15,037
Capital contribution by non-controlling interests of a subsidiary (net of effect of put option owned)		–	–	–	85,000	85,000
Dividend to non-controlling interests of a subsidiary		–	–	–	(30,897)	(30,897)
Balances as at 31 December 2016		242,698	9,305,930	9,548,628	347,703	9,896,331

The notes, significant accounting policies and principal subsidiaries on pages 89 to 131 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016 (Expressed in Renminbi)

	Note	2016 RMB'000	2015 RMB'000
Operating activities			
Profit before taxation		3,310,896	2,829,302
Adjustments for:			
– Depreciation	10	186,978	154,075
– Amortisation of lease prepayments	12(a)	8,652	6,589
– Amortisation of intangible assets	13	30,376	27,603
– Interest expenses	3	64,679	46,887
– Interest income	3	(119,045)	(211,081)
– Loss on disposal of property, plant and equipment	2	2,666	2,297
– Reversal of provision for doubtful debts	4(c)	(5,868)	(8,655)
– Write-down/(reversal of write-down) of inventories	16(b)	7,269	(9,815)
Changes in working capital			
– Increase in inventories		(286,080)	(139,131)
– Increase in trade and other receivables		(470,013)	(490,044)
– Increase in trade and other payables		541,558	211,496
– (Decrease)/increase in amounts due to related parties		(1,484)	2,754
Cash generated from operation		3,270,584	2,422,277
Income tax paid		(948,229)	(737,580)
Interest received		145,225	218,166
Net cash generated from operating activities		2,467,580	1,902,863
Investing activities			
Payments for purchase of property, plant and equipment		(378,029)	(144,951)
Proceeds from sale of property, plant and equipment		2,055	1,358
Payments for construction in progress		(194,618)	(85,571)
Refund of/(payment for) prepayments for acquisition of land use rights		54,943	(227,940)
Payments for purchase of intangible assets		(54,965)	(2,418)
Payments for acquisition of interest in a subsidiary		–	(26,384)
Decrease in other financial assets		175,525	330,025
Placements of pledged deposits		(1,800)	(1,800)
Uplift of pledged deposits		9,750	9,640
Placement of fixed deposits held at banks with maturity over three months		(2,340,039)	(5,845,377)
Uplift of fixed deposits held at banks with maturity over three months		2,212,634	5,580,377
Net cash used in investing activities		(514,544)	(413,041)
Financing activities			
Capital contribution by non-controlling interests of a subsidiary		100,000	–
Drawdowns of new bank loans		937,706	1,330,000
Repayments of bank loans		(1,330,000)	(1,348,264)
Payments of interest expense on bank loans		(22,151)	(50,340)
Payment for long-term payable to non-controlling interests		(3,954)	(3,863)
Net proceeds from issue of bills of exchange		476,944	93,326
Proceeds from shares issued pursuant to share option schemes		15,037	41,618
Dividends paid to equity shareholders of the Company	27	(1,540,914)	(1,333,703)
Dividend paid to non-controlling interests of a subsidiary		(30,897)	(22,500)
Net cash used in financing activities		(1,398,229)	(1,293,726)
Net increase in cash and cash equivalents		554,807	196,096
Cash and cash equivalents as at 1 January		5,165,859	4,933,742
Effect of foreign exchange rate changes		109,293	36,021
Cash and cash equivalents as at 31 December	19	5,829,959	5,165,859

The notes, significant accounting policies and principal subsidiaries on pages 89 to 131 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1. Revenue

The principal activities of the Group are manufacturing and trading of branded sporting goods including footwear, apparel and accessories in the PRC. No segment information is presented for the Group's business segment as the Group is principally engaged in a single line of business of sporting goods.

In addition, the Group's revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to a single geographical region, which is the PRC. Therefore, no analysis by geographical regions is presented.

Revenue represents the sales value of goods sold less returns, discounts, rebates and value-added tax, which may be analysed as follows:

	2016 RMB'000	2015 RMB'000
Footwear	6,000,766	5,074,112
Apparel	6,885,698	5,591,695
Accessories	459,297	460,134
	13,345,761	11,125,941

For the year ended 31 December 2016, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2015: Nil).

2. Other Net Income

	2016 RMB'000	2015 RMB'000
Government grants ⁽ⁱ⁾	274,948	234,249
Rental income from operating leases	2,273	1,231
Loss on disposal of property, plant and equipment	(2,666)	(2,297)
Others	(14,771)	(6,117)
	259,784	227,066

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

3. Net Finance Income

	2016 RMB'000	2015 RMB'000
Interest income	119,045	211,081
Net gain on forward foreign exchange contracts	30,399	3,456
Other net foreign exchange gain	22,759	–
	172,203	214,537
Interest expense on bank loans	(38,197)	(36,932)
Interest expense on discounted bills receivable	(23,056)	(6,674)
Interest expense on payable carried at amortised cost	(3,426)	(3,281)
Other net foreign exchange loss	–	(35,030)
	(64,679)	(81,917)
Net finance income	107,524	132,620

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

4. Profit Before Taxation

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

	2016 RMB'000	2015 RMB'000
(a) Staff costs ^{(i) & (ii)} :		
Contributions to defined contribution retirement plans	159,181	121,622
Salaries, wages and other benefits	1,347,097	1,126,374
	1,506,278	1,247,996
(b) Operating lease charges:		
Minimum lease payments	180,273	126,453
Contingent rentals	374,974	240,362
	555,247	366,815
(c) Other items:		
Cost of inventories ⁽ⁱ⁾ (note 16(b))	6,886,719	5,940,521
Depreciation ⁽ⁱ⁾	186,978	154,075
Amortisation		
– lease prepayments	8,652	6,589
– intangible assets	30,376	27,603
Reversal of provision for doubtful debts	(5,868)	(8,655)
Subcontracting charges ⁽ⁱ⁾	175,214	129,004
Auditors' remuneration	6,565	5,325
Research and development costs ^{(i) & (ii)}	350,790	308,036

(i) Cost of inventories includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB1,181,343,000 (2015: RMB1,029,620,000).

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

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

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

	2016 RMB'000	2015 RMB'000
Current tax		
PRC Corporate Income Tax and Macao Complementary (Profits) Tax	829,849	661,383
Dividends withholding tax	151,184	134,394
Deferred tax (note 24(b))		
Dividends withholding tax	(151,184)	(134,394)
Origination and reversal of other temporary differences	36,478	79,692
	866,327	741,075

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provisions for Hong Kong Profits Tax and Singapore Income Tax have been made as the Group does not have assessable profits subject to Hong Kong Profits Tax and Singapore Income Tax during the year ended 31 December 2016 and 2015.
- (iii) In accordance with the relevant PRC corporate income tax laws, implementation regulations and guidance note, a subsidiary in the PRC is entitled to tax concessions whereby the profits of the subsidiary are taxed at a preferential income tax rate. Taxation of the Group's other subsidiaries in the PRC are calculated using the applicable income tax rates of 25%.
- (iv) Macao Complementary (Profits) Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profits arising from Macao.
- (v) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the 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 the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

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

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

	2016 RMB'000	2015 RMB'000
Profit before taxation	3,310,896	2,829,302
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	865,561	687,261
Tax effect of non-deductible expenses	29,200	33,200
Tax effect of non-taxable income	(52,204)	(15,452)
Withholding tax on profits retained by PRC subsidiaries (note 5(a)(v))	83,246	64,838
Effect of tax concessions (note 5(a)(iii))	(59,476)	(28,772)
Actual tax expense	866,327	741,075

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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	Total RMB'000
Year ended 31 December 2016					
Executive Directors					
Mr. Ding Shizhong	–	1,080	60	532	1,672
Mr. Ding Shijia	–	1,000	60	–	1,060
Mr. Lai Shixian	–	1,500	60	–	1,560
Mr. Wang Wenmo	–	1,000	60	–	1,060
Mr. Wu Yonghua	–	2,000	60	–	2,060
Mr. Zheng Jie	–	2,600	84	–	2,684
	–	9,180	384	532	10,096
Independent Non-Executive Directors					
Mr. Yeung Chi Tat	243	–	–	–	243
Mr. Lu Hong Te	162	–	–	–	162
Mr. Dai Zhongchuan	104	–	–	–	104
Total	509	9,180	384	532	10,605
Year ended 31 December 2015					
Executive Directors					
Mr. Ding Shizhong	–	1,080	55	532	1,667
Mr. Ding Shijia	–	1,000	55	–	1,055
Mr. Lai Shixian	–	1,500	55	–	1,555
Mr. Wang Wenmo	–	1,000	55	–	1,055
Mr. Wu Yonghua	–	2,000	55	–	2,055
Mr. Zheng Jie	–	2,600	81	–	2,681
	–	9,180	356	532	10,068
Independent Non-Executive Directors					
Mr. Yeung Chi Tat	195	–	–	–	195
Mr. Lu Hong Te	130	–	–	–	130
Mr. Dai Zhongchuan	96	–	–	–	96
Total	421	9,180	356	532	10,489

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

7. Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments, 1 (2015: 2) is also Director of the Company whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the remaining 4 (2015: 3) individuals are as follows:

	2016 RMB'000	2015 RMB'000
Salaries and other emoluments	8,377	4,867
Discretionary bonuses	6,673	3,716
Contributions to retirement benefit scheme	32	106
	15,082	8,689

The 4 (2015: 3) individuals include 1 (2015: 1) senior management that is not a Director of the Company. The emoluments of the 4 (2015: 3) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2016	2015
RMB1,500,001 to RMB2,000,000	–	1
RMB2,000,001 to RMB2,500,000	–	1
RMB3,000,001 to RMB3,500,000	2	–
RMB3,500,001 to RMB4,000,000	1	–
RMB4,000,001 to RMB4,500,000	–	1
RMB4,500,001 to RMB5,000,000	1	–

8. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB2,385,546,000 (2015: RMB2,040,573,000) and the weighted average number of ordinary shares in issue during the year of 2,501,505,000 (2015: 2,498,712,000).

Weighted average number of ordinary shares

	2016 '000 Shares	2015 '000 Shares
Issued ordinary shares as at 1 January	2,501,121	2,496,932
Effect of share options exercised	384	1,780
Weighted average number of ordinary shares as at 31 December	2,501,505	2,498,712

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue after adjusting for the potential dilutive effect caused by the share options granted under the share option schemes (see note 23) assuming they were exercised.

Weighted average number of ordinary shares (diluted)

	2016 '000 Shares	2015 '000 Shares
Weighted average number of ordinary shares as at 31 December	2,501,505	2,498,712
Effect of deemed issue of shares under the Company's share option schemes	5,476	5,550
Weighted average number of ordinary shares (diluted) as at 31 December	2,506,981	2,504,262

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

9. Company-level Statement of Financial Position

	Note	2016 RMB'000	2015 RMB'000
Non-current assets			
Investments in subsidiaries	14	142	134
Total non-current assets		142	134
Current assets			
Other receivables		4,379	443
Amounts due from subsidiaries		3,787,256	1,294,105
Cash and cash equivalents		10,873	13,282
Total current assets		3,802,508	1,307,830
Total assets		3,802,650	1,307,964
Current liabilities			
Other payables		6,300	799
Total current liabilities		6,300	799
Net current assets		3,796,208	1,307,031
Total assets less current liabilities		3,796,350	1,307,165
Equity			
Share capital	25	242,698	242,579
Reserves	26	3,553,652	1,064,586
Total equity		3,796,350	1,307,165
Total liabilities and equity		3,802,650	1,307,964

10. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Retail outlets leasehold improvements RMB'000	Total RMB'000
Cost:						
As at 1 January 2015	814,057	209,977	29,413	339,274	57,087	1,449,808
Additions	123	26,734	4,730	49,613	52,686	133,886
Transfer from construction in progress (note 11)	202,337	966	–	16,745	–	220,048
Disposals	(40)	(13,718)	(2,988)	(4,242)	(34,492)	(55,480)
As at 31 December 2015 and 1 January 2016	1,016,477	223,959	31,155	401,390	75,281	1,748,262
Additions	1,850	55,454	2,488	38,192	57,820	155,804
Transfer from construction in progress (note 11)	59,246	341	–	25,480	–	85,067
Disposals	(40)	(18,573)	(1,004)	(7,986)	(49,575)	(77,178)
As at 31 December 2016	1,077,533	261,181	32,639	457,076	83,526	1,911,955
Accumulated depreciation:						
As at 1 January 2015	176,572	103,262	22,405	193,855	28,727	524,821
Charge for the year	46,596	18,467	1,952	41,684	45,376	154,075
Written back on disposals	(40)	(10,897)	(2,717)	(4,065)	(34,106)	(51,825)
As at 31 December 2015 and 1 January 2016	223,128	110,832	21,640	231,474	39,997	627,071
Charge for the year	54,499	19,469	1,972	54,743	56,295	186,978
Written back on disposals	(40)	(15,710)	(870)	(6,889)	(48,948)	(72,457)
As at 31 December 2016	277,587	114,591	22,742	279,328	47,344	741,592
Net book value:						
As at 31 December 2016	799,946	146,590	9,897	177,748	36,182	1,170,363
As at 31 December 2015	793,349	113,127	9,515	169,916	35,284	1,121,191

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

11. Construction in Progress

	2016 RMB'000	2015 RMB'000
As at 1 January	44,544	142,850
Additions	197,547	121,742
Transfer to property, plant and equipment (note 10)	(85,067)	(220,048)
As at 31 December	157,024	44,544

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

12. Lease Prepayments, Prepayments for Acquisition of Land Use Rights and Prepayments for Acquisition of Other Non-current Assets

(a) Lease prepayments

	2016 RMB'000	2015 RMB'000
Cost:		
As at 1 January	331,337	185,215
Acquisition through business combination	–	26,941
Transfer from prepayments for acquisition of land use rights	47,373	119,181
As at 31 December	378,710	331,337
Accumulated amortisation:		
As at 1 January	28,306	21,717
Charge for the year	8,652	6,589
As at 31 December	36,958	28,306
Net book value:		
As at 31 December	341,752	303,031

Lease prepayments mainly represent prepayments of land use rights premiums to the PRC authorities. The Group's leasehold land is located in the PRC. The Group is granted land use rights for a period of 50 years.

(b) Prepayments for acquisition of land use rights

As at 31 December 2016, the Group made prepayments of RMB153,506,000 (2015: RMB255,822,000) for the acquisition of land use rights for certain properties held for own use under development in the PRC. The related land use right certificates were under application as at 31 December 2016.

(c) Prepayments for acquisition of other non-current assets

As at 31 December 2016, the Group made prepayments of RMB245,874,000 (2015: Nil) for the acquisition of certain properties, plants and machineries and computer softwares.

13. Intangible Assets

	Computer software RMB'000	Patents and trademarks RMB'000	Total RMB'000
Cost:			
As at 1 January 2015	125,254	483,051	608,305
Additions	2,418	–	2,418
As at 31 December 2015 and 1 January 2016	127,672	483,051	610,723
Additions	13,724	30,034	43,758
As at 31 December 2016	141,396	513,085	654,481
Accumulated amortisation:			
As at 1 January 2015	51,759	67,223	118,982
Charge for the year	14,796	12,807	27,603
As at 31 December 2015 and 1 January 2016	66,555	80,030	146,585
Charge for the year	17,012	13,364	30,376
As at 31 December 2016	83,567	93,394	176,961
Net book value:			
As at 31 December 2016	57,829	419,691	477,520
As at 31 December 2015	61,117	403,021	464,138

The amortisation charge for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

14. Investments in Subsidiaries

The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2016 are shown on pages 128 to 131.

15. Other Non-current Financial Assets

Other non-current financial assets represent other investments in unlisted equity investments.

16. Inventories

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

	2016 RMB'000	2015 RMB'000
Raw materials	103,973	66,993
Work in progress	185,033	152,749
Finished goods	1,005,933	796,386
	1,294,939	1,016,128

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

	2016 RMB'000	2015 RMB'000
Carrying amount of inventories sold	6,879,450	5,950,336
Write-down/(reversal of write-down) of inventories	7,269	(9,815)
	6,886,719	5,940,521

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

17. Trade and Other Receivables

	2016 RMB'000	2015 RMB'000
Trade receivables	1,675,452	1,180,905
Less: Provision for doubtful debts	(9,572)	(15,440)
	1,665,880	1,165,465
Advance payments to suppliers	523,540	557,772
Deposits and other prepayments	249,808	282,394
VAT deductible	132,694	122,292
Interest receivables	40,337	66,517
Derivative financial instruments	11,364	3,456
Other receivables	17,614	9,290
	2,641,237	2,207,186

All of the trade and other receivables (net of provision for doubtful debts) 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:

	2016 RMB'000	2015 RMB'000
Current	1,656,309	1,150,026
Less than 3 months past due	17,535	23,132
Past due over 3 months	1,608	7,747
	1,675,452	1,180,905

The movement in the provision for doubtful debts during the year is as follows:

	2016 RMB'000	2015 RMB'000
As at 1 January	15,440	24,095
Reversal of provision for doubtful debts recognised	(5,868)	(8,655)
As at 31 December	9,572	15,440

The Group normally grants a credit period of 30 to 90 days to its customers. There were no trade receivables that were past due at the end of the reporting period but not impaired. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2016, the Group has assessed the recoverability of the receivables past due and established a provision of doubtful debts. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that recovery is remote, in which case the unrecovered loss is written off against trade receivables and the provision for doubtful debts directly. The Group does not hold any collateral over these balances.

18. Pledged Deposits

Pledged bank deposits have been pledged as security for certain contracts and construction projects.

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

	2016 RMB'000	2015 RMB'000
Deposits with banks within three months to maturity when placed	4,157,634	3,943,299
Cash at bank and in hand	1,672,325	1,222,560
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	5,829,959	5,165,859
Deposits with banks with more than three months to maturity when placed	1,492,405	1,365,000
	7,322,364	6,530,859

As at 31 December 2016, the balances that were placed with banks in the PRC amounted to RMB4,265,345,000 (2015: RMB4,520,760,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

20. Bank Loans

Bank loans are denominated in Renminbi, carried at amortised cost and repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

21. Trade and Other Payables

	2016 RMB'000	2015 RMB'000
Trade payables	910,371	750,403
Bills payable	600,000	100,000
Receipts in advance from customers	90,006	34,077
Construction costs payables	48,557	45,628
VAT and other taxes payables	131,777	103,939
Accruals	1,031,745	822,037
Other payables	247,654	133,809
	3,060,110	1,989,893

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

	2016 RMB'000	2015 RMB'000
Within 3 months	857,726	720,975
3 months to 6 months	35,990	12,232
Over 6 months	16,655	17,196
	910,371	750,403

Bills payable are bills of exchange which are denominated at Renminbi, carried at amortised cost and repayable within one year.

22. Employee Retirement Benefits

Defined contribution retirement plans

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

The Group also operates a Mandatory Provident Fund Scheme ("the MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

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

23. Equity-settled Share-based Payments

(a) Pre-IPO share option scheme

Pursuant to the shareholders' written resolution passed on 11 June 2007, the Company adopted a Pre-IPO share option scheme.

Under the Pre-IPO share option scheme, 16,000,000 options were granted on 12 June 2007. A Director and 37 employees of the Group were given the rights to subscribe for shares of the Company at a consideration of HK\$1.00 for the grant of options. Each option granted under the Pre-IPO share option scheme has vesting periods of 1 year to 3 years commencing from the date of listing of the Company on the Main Board of the Hong Kong Stock Exchange ("Listing Date"). The Group has no legal or constructive obligation to repurchase or settle any of these options in cash.

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

	Number of options '000	Vesting conditions	Contractual life of options
Options granted to a Director: – on 12 June 2007	5,250	1 year to 3 years from the Listing Date of the Company's shares	10 years
Options granted to employees: – on 12 June 2007	10,750	1 year to 3 years from the Listing Date of the Company's shares	10 years
Total share options	16,000		

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

	2016 Weighted average exercise price	Number of options '000	2015 Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	HK\$4.224	6,281	HK\$4.224	7,681
Exercised during the year	HK\$4.224	(393)	HK\$4.224	(1,400)
Outstanding at the end of the year	HK\$4.224	5,888	HK\$4.224	6,281
Exercisable at the end of the year	HK\$4.224	5,888	HK\$4.224	6,281

The weighted average share price at the date of exercise for share options exercised during the year was HK\$21.23 (2015: HK\$19.42).

The options outstanding as at 31 December 2016 had an exercise price of HK\$4.224 (2015: HK\$4.224) and a weighted average remaining contractual life of 1 years (2015: 2 years).

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(Expressed in Renminbi unless otherwise indicated)

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

(b) Share option scheme

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

The purpose of the Share Option Scheme is to motivate the eligible persons 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 terms of the 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.

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

	Number of options '000	Vesting conditions	Contractual life of options
Options granted to a Director: – on 15 September 2010	1,000	1.5 years to 3.5 years from the date of grant	10 years
Options granted to employees: – on 15 September 2010	31,120	1.5 years to 3.5 years from the date of grant	10 years
Total share options	32,120		

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

	2016		2015	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	HK\$16.20	6,435	HK\$16.20	9,224
Exercised during the year	HK\$16.20	(957)	HK\$16.20	(2,789)
Outstanding at the end of the year	HK\$16.20	5,478	HK\$16.20	6,435
Exercisable at the end of the year	HK\$16.20	5,478	HK\$16.20	6,435

The weighted average share price at the date of exercise for share options exercised during the year was HK\$21.67 (2015: HK\$20.49).

The options outstanding at 31 December 2016 had an exercise price of HK\$16.20 (2015: HK\$16.20) and a weighted average remaining contractual life of 4 years (2015: 5 years).

24. 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 and Macao Complementary (Profits) Tax.

(b) Deferred tax assets and liabilities recognised:

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

Deferred tax arising from:	Dividend withholding tax RMB'000	Other deferred tax liabilities RMB'000	Other deferred tax assets RMB'000	Total RMB'000
As at 1 January 2015	147,109	11,040	(149,358)	8,791
Charged/(credited) to profit or loss (note 5(a))	64,838	(2,848)	17,702	79,692
Released upon distribution of dividends (note 5(a)(v))	(134,394)	–	–	(134,394)
As at 31 December 2015 and 1 January 2016	77,553	8,192	(131,656)	(45,911)
Charged/(credited) to profit or loss (note 5(a))	83,246	(3,388)	(43,380)	36,478
Released upon distribution of dividends (note 5(a)(v))	(151,184)	–	–	(151,184)
As at 31 December 2016	9,615	4,804	(175,036)	(160,617)

(c) Deferred tax assets not recognised:

As at 31 December 2016, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB78,428,000 (2015: RMB5,524,000) of which RMB30,277,000 (2015: Nil) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognised:

As at 31 December 2016, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB5,216,287,000 (2015: RMB4,455,105,000). Deferred tax liabilities of RMB260,814,000 (2015: RMB222,755,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in the PRC and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

25.Share Capital

	Par value HK\$	Number of Shares '000	Nominal value of ordinary shares HK\$'000
Authorised:			
Ordinary shares			
As at 31 December 2015 and 2016	0.10	5,000,000	500,000

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

	Par value HK\$	Number of Shares '000	Nominal value of ordinary shares HK\$'000	RMB'000
Issued and fully paid:				
As at 1 January 2015	0.10	2,496,932	249,693	242,238
Shares issued pursuant to share option schemes	0.10	4,189	419	341
As at 31 December 2015 and 1 January 2016	0.10	2,501,121	250,112	242,579
Shares issued pursuant to share option schemes	0.10	1,350	135	119
As at 31 December 2016	0.10	2,502,471	250,247	242,698

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

During the year, pursuant to the Company's share option schemes (note 23), options were exercised to subscribe for 1,350,000 ordinary shares (2015: 4,189,000 shares) in the Company at a consideration of RMB15,037,000 (2015: RMB41,618,000) of which RMB119,000 (2015: RMB341,000) was credited to share capital and the balance of RMB14,918,000 (2015: RMB41,277,000) was credited to the share premium account. RMB3,843,000 (2015: RMB10,467,000) has been transferred from the share-based compensation reserve to the share premium account. No options were lapsed during the year (2015: Nil). As at 31 December 2016, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's share option schemes is 11,366,000 (2015: 12,716,000).

26. Reserves

The Group

	Note	Share premium RMB'000 (Note 26(a))	Capital reserve RMB'000 (Note 26(b))	Statutory reserve RMB'000 (Note 26(c))	Exchange reserve RMB'000 (Note 26(d))	Share-based compensation reserve RMB'000 (Note 26(e))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2015		345,732	141,029	575,328	(310,048)	37,208	6,763,670	7,552,919
Profit for the year		–	–	–	–	–	2,040,573	2,040,573
Other comprehensive income for the year		–	–	–	36,021	–	–	36,021
Total comprehensive income for the year		–	–	–	36,021	–	2,040,573	2,076,594
Dividends approved in respect of the previous year	27(b)	–	–	–	–	–	(711,450)	(711,450)
Dividends declared in respect of the current year	27(a)	–	–	–	–	–	(622,253)	(622,253)
Shares issued pursuant to share option schemes	25	51,744	–	–	–	(10,467)	–	41,277
Appropriation to statutory reserve	26(c)	–	–	47,218	–	–	(47,218)	–
As at 31 December 2015 and 1 January 2016		397,476	141,029	622,546	(274,027)	26,741	7,423,322	8,337,087
Profit for the year		–	–	–	–	–	2,385,546	2,385,546
Other comprehensive income for the year		–	–	–	109,293	–	–	109,293
Total comprehensive income for the year		–	–	–	109,293	–	2,385,546	2,494,839
Dividends approved in respect of the previous year	27(b)	–	–	–	–	–	(801,374)	(801,374)
Dividends declared in respect of the current year	27(a)	–	–	–	–	–	(739,540)	(739,540)
Shares issued pursuant to share option schemes	25	18,761	–	–	–	(3,843)	–	14,918
Appropriation to statutory reserve	26(c)	–	–	188,337	–	–	(188,337)	–
As at 31 December 2016		416,237	141,029	810,883	(164,734)	22,898	8,079,617	9,305,930

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

26. Reserves (Continued)

The Company

	Note	Share premium RMB'000 (Note 26(a))	Exchange reserve RMB'000 (Note 26(d))	Share-based compensation reserve RMB'000 (Note 26(e))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2015		345,732	(383,712)	37,208	789,382	788,610
Profit for the year		–	–	–	1,500,852	1,500,852
Other comprehensive income for the year		–	67,550	–	–	67,550
Total comprehensive income for the year		–	67,550	–	1,500,852	1,568,402
Dividends approved in respect of the previous year	27(b)	–	–	–	(711,450)	(711,450)
Dividends declared in respect of the current year	27(a)	–	–	–	(622,253)	(622,253)
Shares issued pursuant to share option schemes	25	51,744	–	(10,467)	–	41,277
As at 31 December 2015 and 1 January 2016	9	397,476	(316,162)	26,741	956,531	1,064,586
Profit for the year		–	–	–	3,995,014	3,995,014
Other comprehensive income for the year		–	20,048	–	–	20,048
Total comprehensive income for the year		–	20,048	–	3,995,014	4,015,062
Dividends approved in respect of the previous year	27(b)	–	–	–	(801,374)	(801,374)
Dividends declared in respect of the current year	27(a)	–	–	–	(739,540)	(739,540)
Shares issued pursuant to share option schemes	25	18,761	–	(3,843)	–	14,918
As at 31 December 2016	9	416,237	(296,114)	22,898	3,410,631	3,553,652

(a) Share premium and distributability of reserves

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

The aggregate amount of distributable reserves, including share premium and retained profits, of the Company as at 31 December 2016 was HK\$3,897,545,000 (2015: HK\$1,246,471,000).

26. Reserves (Continued)

(b) Capital reserve

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

(c) Statutory reserve

Pursuant to applicable PRC regulations, PRC subsidiaries are required to appropriate 10% of their profit after tax (after offsetting prior year losses) to the reserve until such reserve reaches 50% of the registered capital. The transfer to the reserve must be made before distribution of dividends to shareholders. The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase paid-in capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(d) Exchange reserve

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

(e) Share-based compensation reserve

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the period of the review with a corresponding adjustment to the share-based compensation reserve.

(f) Capital management

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

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

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(Expressed in Renminbi unless otherwise indicated)

27.Dividends

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

	2016 RMB'000	2015 RMB'000
Interim dividend declared and paid of HK34 cents per ordinary share (2015: HK30 cents per ordinary share)	739,540	622,253
Final dividend recommended after the end of the reporting period of HK34 cents per ordinary share (2015: HK30 cents per ordinary share)	757,312	632,664
Special dividend recommended after the end of the reporting period of HK8 cents per ordinary share (2015: HK8 cents per ordinary share)	178,191	168,710
	1,675,043	1,423,627

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

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

	2016 RMB'000	2015 RMB'000
Final dividend in respect of the year ended 31 December 2015, approved and paid during the year, of HK30 cents per ordinary share (2014: HK28 cents per ordinary share)	632,664	553,350
Special dividend in respect of the year ended 31 December 2015, approved and paid during the year, of HK8 cents per ordinary share (2014: HK8 cents per ordinary share)	168,710	158,100
	801,374	711,450

28. Financial Risk Management and Fair Values

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

(a) Credit risk

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

The Group's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at the end of the reporting period, 7% (2015: 5%) and 25% (2015: 22%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

28. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

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

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

	Contractual undiscounted cash outflows/(inflows)					Carrying amount on consolidated statement of financial position RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
As at 31 December 2016						
Non-derivative financial liabilities:						
Bank loans	947,093	–	–	–	947,093	937,706
Trade and other payables	3,060,110	–	–	–	3,060,110	3,060,110
Amounts due to related parties	7,499	–	–	–	7,499	7,499
Long-term payable to non-controlling interests	–	4,257	12,772	68,116	85,145	40,286
	4,014,702	4,257	12,772	68,116	4,099,847	4,045,601
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	200,000	–	–	–	200,000	
– inflow	(210,344)	–	–	–	(210,344)	
As at 31 December 2015						
Non-derivative financial liabilities:						
Bank loans	1,358,187	–	–	–	1,358,187	1,330,000
Trade and other payables	1,989,893	–	–	–	1,989,893	1,989,893
Amounts due to related parties	8,983	–	–	–	8,983	8,983
Long-term payable to non-controlling interests	–	4,008	12,023	68,128	84,159	38,706
	3,357,063	4,008	12,023	68,128	3,441,222	3,367,582
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	1,000,000	–	–	–	1,000,000	
– inflow	(1,025,217)	–	–	–	(1,025,217)	

28. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

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

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

Interest rate profile

The following table details the interest rate profile of the Group's interest-generating financial assets/(liabilities) as at the end of the reporting period:

	2016		2015	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Financial instruments				
Fixed rate instruments:				
Other current financial assets	–	–	5.30%	200,000
Pledged deposits	2.50%~4.85%	194,576	3.00%~4.85%	202,526
Bank deposits	1.10%~9.00%	5,650,039	0.85%~6.00%	5,308,299
Bank loans	3.48%~4.35%	(937,706)	–	–
		4,906,909		5,710,825
Variable rate instruments:				
Cash at bank	0.01%~0.30%	1,672,325	0.01%~0.35%	1,222,560
Bank loans	–	–	4.25%~4.35%	(1,330,000)
		1,672,325		(107,440)
Total instruments		6,579,234		5,603,385
Fixed rate instruments as a percentage of total instruments		75%		102%

As at 31 December 2016, the Group's variable rate instruments are cash at bank and the Group considered the risk of change in interest rate was not significant.

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(Expressed in Renminbi unless otherwise indicated)

28. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through contractual obligations, bank deposits and bank loans that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi, Hong Kong dollars and United States dollars.

The Group actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Renminbi)					
	2016 Renminbi RMB'000	2016 Hong Kong Dollars RMB'000	2016 United States Dollars RMB'000	2015 Renminbi RMB'000	2015 Hong Kong Dollars RMB'000	2015 United States Dollars RMB'000
Cash and cash equivalents	435,934	709	876,248	265,030	918	1,102,567
Fixed deposits held at banks with maturity over three months	570,000	–	922,405	600,000	–	–
Pledged deposits	1,800	–	–	1,800	–	–
Trade and other receivables	6,816	3	13,227	–	110	46,728
Amount due from group companies	397,205	–	–	416,242	–	–
Bank loans	(800,000)	–	–	(1,330,000)	–	–
Trade and other payables	(16,506)	(131)	(61,463)	–	(68)	(39,391)
Long-term payable to non-controlling interests	–	–	(40,286)	–	–	(38,706)
Gross exposure to currency risk	595,249	581	1,710,131	(46,928)	960	1,071,198
Notional amounts of forward foreign exchange contracts	(200,000)	–	210,344	(1,000,000)	–	1,025,217
Net exposure to currency risk	395,249	581	1,920,475	(1,046,928)	960	2,096,415

28. 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 exposure as at the end of the reporting period had changed, assuming all other risk variables remained constant.

	Increase/ (decrease) in foreign exchange rates in %	2016 Effect on profit after taxation and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates in %	2015 Effect on profit after taxation and retained profits RMB'000	Effect on other components of equity RMB'000
Renminbi	5 (5)	19,763 (19,763)	(19,763) 19,763	5 (5)	(52,346) 52,346	52,346 (52,346)
Hong Kong dollars	5 (5)	29 (29)	3,657 (3,657)	5 (5)	48 (48)	4,966 (4,966)
United States dollars	5 (5)	(2,179) 2,179	97,741 (97,741)	5 (5)	(484) 484	104,609 (104,609)

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 2015.

(e) Commodity price risk

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

(f) Business risk

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

28. Financial Risk Management and Fair Values (Continued)

(g) Fair values measurement

(i) Financial assets and liabilities measured at fair value

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.

	2016 Level 2 RMB'000	2015 Level 2 RMB'000
Recurring fair value measurements		
Assets		
Available-for-sale investments		
– Unlisted	–	200,000
Derivative financial instruments:		
– Forward foreign exchange contracts	11,364	3,456
	11,364	203,456

During the year ended 31 December 2016 and 2015, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

The carrying amounts of all financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2016 except that the fair value of the long-term payable to non-controlling interests is classified within Level 2 of the fair value hierarchy and is approximately RMB52,000,000 (2015: RMB50,000,000), which is estimated using the expected future cash flows discounted at prevailing market interest rate as at the end of the reporting period.

29. Commitments

(a) Operating leases

As at 31 December 2016, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2016 RMB'000	2015 RMB'000
Within 1 year	273,060	165,861
After 1 year but within 5 years	177,876	136,166
After 5 years	7,678	7,537
	458,614	309,564

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

The above commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated based on the relevant retail shops' revenue pursuant to the terms and conditions as set out in the respective rental agreement. It is not possible to estimate in advance the amount of such contingent rent payable.

(b) Capital commitments

Capital commitments outstanding as at 31 December 2016 not provided for in the financial statements were as follows:

	2016 RMB'000	2015 RMB'000
Contracted for	686,282	61,661
Authorised but not contracted for	404,362	252,591
	1,090,644	314,252

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

30. Material Related Party Transactions

(a) Transactions with related parties

	2016 RMB'000	2015 RMB'000
Recurring transactions		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. (“Quanzhou Anda”)	41,951	47,144
Service fees		
– Mr. Ding Shijia	19,681	13,572

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

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

(b) Balance with related parties

	2016 RMB'000	2015 RMB'000
Amounts due to related parties		
Trade balance		
– Quanzhou Anda	5,913	8,983
Other balance		
– Mr. Ding Shijia	1,586	–
	7,499	8,983

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

(c) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's Executive Directors were as follows:

	2016 RMB'000	2015 RMB'000
Short-term employee benefits	13,537	12,009

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

31. Significant Accounting Estimates and Judgements

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.

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.

(a) Impairments

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

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

(b) Net realisable value of inventories

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

(c) Impairment of trade and other receivables

The Group estimates the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period.

(d) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses charge for the year. The management determines that the remaining useful life of the FILA PRC Trademark is 31 years based on management's expertise in the sportswear industry. It could change significantly as a result of changes in the sportswear market. The useful lives of other assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(e) Provision for deferred tax

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

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

32. Revised IFRSs/HKFRSs

The IASB and HKICPA have issued a number of amendments to IFRSs/HKFRSs that are first effective for the current accounting period of the Group. None of these developments are relevant to the Group's results and financial position.

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

33. Non-adjusting Event after the Reporting Period

After the end of the reporting period the Directors recommended a final dividend and a special dividend. Further details are disclosed in note 27.

34. Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended 31 December 2016

Up to the date of issue of these financial statements, the IASB and HKICPA have issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2016 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
IFRS/HKFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS/HKFRS 9	Financial Instruments	1 January 2018
IFRS/HKFRS 16	Leases	1 January 2019

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

35. Immediate and Ultimate Holding Company

The Directors consider the immediate and ultimate holding company of the Company as at 31 December 2016 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

36. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 22 February 2017.

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 2016 comprise the Company and its subsidiaries. These financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, and are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- Available-for-sale investments (see (M))
- Derivative financial instruments (see (M))

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 31.

(C) Basis of Consolidation

The consolidated financial statements for the year ended 31 December 2016 include the financial statements of the Company and its subsidiaries.

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 their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of 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.

SIGNIFICANT ACCOUNTING POLICIES

(C) Basis of Consolidation (Continued)

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

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

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

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

(D) Other Investments in Equity Investments

Investments in equity investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below.

Investments in equity investment that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see (J)). Dividend income from equity investment is recognised in profit or loss in accordance with the policies set out in (T)(v).

When the investments are derecognised or impaired (see (J)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(E) Property, Plant and Equipment

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

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

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

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 20 years after the date of completion.
- Plant and machinery 5-10 years
- Motor vehicles 5 years
- Furniture and fixtures 3-10 years
- Retail outlets leasehold improvements 1-2 years

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

(F) Construction in Progress

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

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

(G) Lease Prepayments

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

(H) Intangible Assets

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

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

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

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

(I) Operating Lease Charges

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

(J) Impairment of Assets

(i) Impairment of available-for-sale investments and trade and other receivables

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

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES

(J) Impairment of Assets (Continued)

(i) Impairment of available-for-sale investments and trade and other receivables (Continued)

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

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

(ii) Impairment of other assets

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(K) Inventories

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

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

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

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

(L) Trade and Other Receivables

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

(M) Available-for-sale Investments and Derivative Financial Instruments

Available-for-sale investments are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from these investments is recognised using the effective interest method in profit or loss in accordance with the policy set out in (T)(ii). When these investments are derecognised or impaired (see (J)), the cumulative gain or loss is transferred from equity to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

Derivative financial instruments are recognised initially 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.

(N) 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 with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(O) Payables

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

(P) 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.

SIGNIFICANT ACCOUNTING POLICIES

(Q) Employee Benefits

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

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

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

(ii) Share-based payments

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

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

(R) Income Tax

- (i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity respectively.
- (ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted as at the end of the reporting period, and any adjustment to tax payable in respect of previous years.
- (iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

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

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

(R) Income Tax (Continued)

- (iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the 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.

(S) 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.

(T) Revenue Recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Rental income from operating leases

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

(iv) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as 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.

(v) Dividends

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

SIGNIFICANT ACCOUNTING POLICIES

(U) Translation of Foreign Currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(V) Research and Development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development.

(W) Dividends

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

(X) Related Parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (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.

(Y) Segment Reporting

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

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

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Anta Enterprise Group Limited ("Anta Enterprise")	BVI/Hong Kong	USD10,000	100%	–	Investment holding
Motive Force Sports Products Limited ("Motive Force")	BVI/Hong Kong	USD10,000	100%	–	Investment holding
REEDO Sports Products Limited ("REEDO Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANDES Sports Products Limited ("ANDES Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
Origin Force Holding Limited ("Origin Holding")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANTA Investment Limited ("ANTA Inv")	Hong Kong	HK\$1,000,000	–	100%	Investment holding
ANTA International Limited ("ANTA Int'l")	Hong Kong	HK\$1	–	100%	Management services
Origin Force Investment Limited ("Origin Investment")	Hong Kong	HK\$1	–	100%	Investment holding
Anta Sports Japan Co., Ltd ("ANTA Japan") (Note (iv))	Japan	JPY50,000,000	–	100%	Product design
安踏(中國)有限公司(「安踏中國」) ANTA (China) Co., Ltd. ("ANTA China") (Notes (ii) and (iii))	PRC	RMB593,901,290	–	100%	Manufacturing and trading of sporting goods
長汀安踏體育用品有限公司 (「安踏長汀」) Changting ANTA Sports Products Co., Ltd. ("ANTA Changting") (Notes (i) and (iii))	PRC	HK\$80,000,000	–	100%	Manufacturing of sporting goods
廈門安踏體育用品有限公司(「安踏廈門」) Xiamen ANTA Sports Goods Co., Ltd. ("ANTA Xiamen") (Notes (i) and (iii))	PRC	HK\$50,000,000	–	100%	Manufacturing of sporting goods
安踏體育用品集團有限公司 (「安踏集團」) ANTA Sports Products Group Co., Limited ("ANTA Group") (Notes (i) and (iii))	PRC	HK\$1,000,000,000	–	100%	Manufacturing and trading of sporting goods
廈門安踏貿易有限公司(「廈門安踏貿易」) Xiamen ANTA Trading Co., Ltd. ("Xiamen ANTA Trading") (Notes (ii) and (iii))	PRC	RMB261,168,000	–	100%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
廈門安踏有限公司 (「廈門安踏」) Xiamen ANTA Company Limited ("Xiamen ANTA") (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Investment holding and trading of sporting goods
福建安踏物流信息科技有限公司 (「安踏物流」) Fujian ANTA Logistics Information Technology Co., Ltd. ("ANTA Logistics") (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Logistics services
廈門安踏實業有限公司 (「廈門安踏實業」) Xiamen ANTA Industrial Limited ("Xiamen ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏電子商務有限公司 (「廈門安踏電子商務」) Xiamen ANTA E-Commerce Limited ("Xiamen ANTA E-Commerce") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	100%	Retailing of sporting goods
河南安踏體育用品有限公司 (「河南安踏」) Henan ANTA Sports Products Limited ("Henan ANTA") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
河南安踏鞋材有限公司 (「河南鞋材」) (前稱為商丘市銳翔鞋材有限公司) Henan ANTA Material Supply Limited ("Henan Material") (formerly known as Shangqiu Ruixiang Material Supply Limited) (Notes (ii) and (iii))	PRC	RMB150,000,000	–	100%	Manufacturing of shoe sole
泉州安踏鞋材有限公司 (「泉州鞋材」) Quanzhou ANTA Material Supply Limited ("Quanzhou Material") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Manufacturing of shoe sole
泉州東禕達輕工發展有限公司 (「東禕達」) Dongyida Light Industry Development Co., Limited Quanzhou ("Dongyida") (Notes (ii) and (iii))	PRC	RMB3,938,200	–	100%	Manufacturing of shoe sole
全鋒 (福建) 鞋材有限公司 (「全鋒」) Chenfeng (Fujian) Material Supply Co., Limited ("Chenfeng") (Notes (ii) and (iii))	PRC	RMB49,626,900	–	100%	Manufacturing of shoe sole

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
上海安踏實業有限公司 (「上海安踏實業」) Shanghai ANTA Industrial Co., Limited ("Shanghai ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
廈門安踏服飾有限公司 (「安踏服飾」) Xiamen ANTA Style Co., Limited ("ANTA Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
廈門斐越信息技術有限公司 (「廈門斐越」) Xiamen Feiyue information technology Limited ("Xiamen Feiyue") (Notes (i) and (iii))	PRC	RMB10,000,000	–	100%	Information technology service
斐樂服飾有限公司 (「斐樂服飾」) Fila Style Co., Ltd. ("Fila Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
Fila Marketing (Hong Kong) Limited ("Fila Marketing")	Hong Kong	HK\$79,800,000	–	100%	Retailing of sporting goods
Fila (Macao) Limited ("Fila Macao")	Macao	MOP25,000	–	100%	Retailing of sporting goods
Full Prospect Sports Limited ("Full Prospect")	Cayman Islands/Hong Kong	Ordinary share USD85 and Class B share USD15	–	85%	Investment holding
Full Prospect (IP) PTE Ltd ("Full Prospect IP")	Singapore/Hong Kong	USD200,000	–	85%	Trademark holding
Speed Benefit Limited ("Speed Benefit")	Hong Kong	HK\$1,000,000	–	85%	Trading of sporting goods
斐樂體育有限公司 (「斐樂中國」) Fila PRC Co., Limited ("Fila China") (Notes (i) and (iii))	PRC	USD9,000,000	–	85%	Trading of sporting goods
廈門斐樂體育用品有限公司 (「廈門斐樂」) Xiamen Fila Sports Products Limited ("Xiamen Fila") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	85%	Retailing of sporting goods
REEDO International Limited ("REEDO International")	BVI/Hong Kong	USD100	–	85%	Investment holding
SPRANDI Investment Limited ("SPRANDI Investment")	Hong Kong	HK\$1	–	85%	Investment holding

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
REEDO (Hong Kong) Limited ("REEDO Hong Kong")	Hong Kong	HK\$100	–	85%	Investment holding
斯潘迪(中國)有限公司(「斯潘迪中國」) SPRANDI (China) Limited ("SPRANDI China") (Notes (i) and (iii))	PRC	RMB30,000,000	–	85%	Trading of sports goods
廈門斯潘迪有限公司(「廈門斯潘迪」) Xiamen SPRANDI Limited ("Xiamen SPRANDI") (Notes (ii) and (iii))	PRC	RMB30,000,000	–	85%	Retailing of sports goods
Descente China Holding Limited ("Descente Holding")	Cayman Islands	RMB250,000,000	–	60%	Investment holding
Descente China Investment Limited ("Descente Investment")	Hong Kong	RMB1	–	60%	Investment holding
迪桑特(中國)有限公司(「迪桑特中國」) Descente (China) Limited ("Descente China") (Notes (i) and (iii))	PRC	RMB100,000,000	–	60%	Trading and retailing of sports goods
上海迪知服飾有限公司(「上海迪知」) Shanghai Digi Apparel Co.,Ltd ("Shanghai Digi") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	60%	Retailing of sports goods
泉州寰球鞋服有限公司(「寰球」) Quanzhou Athletic Shoes & Garments Co., Limited ("Athletic") (Notes (ii) and (iii))	PRC	USD26,260,000	–	55%	Manufacturing and trading of sporting goods

Notes:

- (i) These entities are wholly foreign owned enterprises established in the PRC.
- (ii) These entities are limited liability companies established in the PRC.
- (iii) The English translation of the company names is for reference only. The official names of these companies are in Chinese.
- (iv) The English translation of the company name is for reference only. The official name of the company is in Japanese.

GLOSSARY

AGM

The annual general meeting of the Company or any adjournment thereof

Anda Holdings

Anda Holdings International Limited

Anda Investments

Anda Investments Capital Limited

ANTA

ANTA brand

Anta International

Anta International Group Holdings Limited

ANTA KIDS

ANTA KIDS brand, which offers ANTA products for children

ANTA Sports/ Company

ANTA Sports Products Limited

ANTA store(s)

ANTA retail store(s)

Board

The Board of Directors of the Company

BVI

The British Virgin Islands

CCTV5

China Central Television Sports Channel

China/PRC

People's Republic of China

COC

Chinese Olympic Committee

CPI

Consumer Price Index

CSD

Chinese Sports Delegation

DESCENTE

DESCENTE brand

Descente Ltd.

Descente Ltd., a company incorporated in Japan, the shares of which are listed on the Tokyo Stock Exchange with stock code 8114

DGR

Descente Global Retail Ltd., a company incorporated in Republic of Korea, which is a subsidiary of Descente Ltd.

ERP

Enterprise Resources Planning System, a business support system that maintains in a single database for a variety of business functions

Executive Directors

Executive directors of the Company

FILA

FILA brand

FILA KIDS

FILA KIDS brand, which offers FILA products for children

FILA PRC Trademarks

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

FILA store(s)

FILA retail store(s)

GDP

Gross Domestic Product

Group

The Company and its subsidiaries

Hong Kong

The Hong Kong Special Administrative Region of the PRC

Hong Kong Dollars, HK\$

Hong Kong Dollars, the lawful currency of Hong Kong

Hong Kong Stock Exchange/HKEX

The Stock Exchange of Hong Kong Limited

Independent Non-Executive Directors

Independent non-executive directors of the Company

IPO

Initial Public Offering

ITOCHU Corporation

ITOCHU Corporation, a company incorporated in Japan, the shares of which are listed on the Tokyo Stock Exchange with stock code 8001

JV Group

The Descente Holding and its subsidiaries, from time to time

Listing Rules

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

MSCI

Morgan Stanley Capital International Global Standard Index

NBA

National Basketball Association

ODM

Original Design Manufacturer

OEM

Original Equipment Manufacturer

POP

Point of purchase advertising

POS

Point of sales

R&D

Research and development

RMB

Renminbi, the lawful currency of the PRC

Share(s)

Ordinary share(s) of HK\$0.10 each in the share capital of the Company

Shareholders

Shareholders of the Company

SKU

Stock keeping unit

US

United States of America

USD

United States dollars, the lawful currency of the United States of America

Year

The year ended 31 December 2016

A full-page photograph of a Chinese boxing athlete, Zou Shiming, in a boxing ring. He is wearing a dark blue quilted puffer jacket, black athletic pants with "SUPER FIGHT" printed vertically on the left leg, and grey and orange sneakers. He is in a boxing stance with his fists raised. The background features a chain-link fence and red padded corners of the ring. The image is overlaid with large, diagonal yellow and black geometric shapes. The text "Zou Shiming, a Chinese boxing athlete" is positioned in the upper right area, partially overlapping the yellow shape.

Zou Shiming,
a Chinese boxing athlete

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Concept and design - Mens Creation Ltd. www.menscreation.hk

Production and printing - Equity www.equitygroup.com.hk

FIGHT ON



IR.ANTA.COM



DIVIDENDS

The Board recommends the payment of a final dividend of HK34 cents per ordinary share and a special dividend of HK8 cents per ordinary share in respect of the year ended 31 December 2016 subject to the approval of the shareholders at the forthcoming annual general meeting. The proposed final dividend and special dividend will be payable on or about Wednesday, 26 April 2017 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Wednesday, 12 April 2017. In order to qualify for the proposed final dividend and special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 12 April 2017 for registration.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Hong Kong on Thursday, 6 April 2017. Notice of the AGM will be issued and disseminated to shareholders in due course.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Saturday, 1 April 2017, to Thursday, 6 April 2017, both days inclusive, during which period no transfer of shares will be effect. In order to qualify for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 31 March 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT

This annual results announcement is available for viewing on the websites of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and the Company's website at ir.anta.com.

By Order of the Board
ANTA Sports Products Limited
Ding Shizhong
Chairman

Hong Kong, 22 February 2017

As at the date of this announcement, the executive Directors are Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian, Mr. Wang Wenmo, Mr. Wu Yonghua and Mr. Zheng Jie; and the independent non-executive Directors are Mr. Yeung Chi Tat, Mr. Lu Hong Te and Mr. Dai Zhongchuan.