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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)

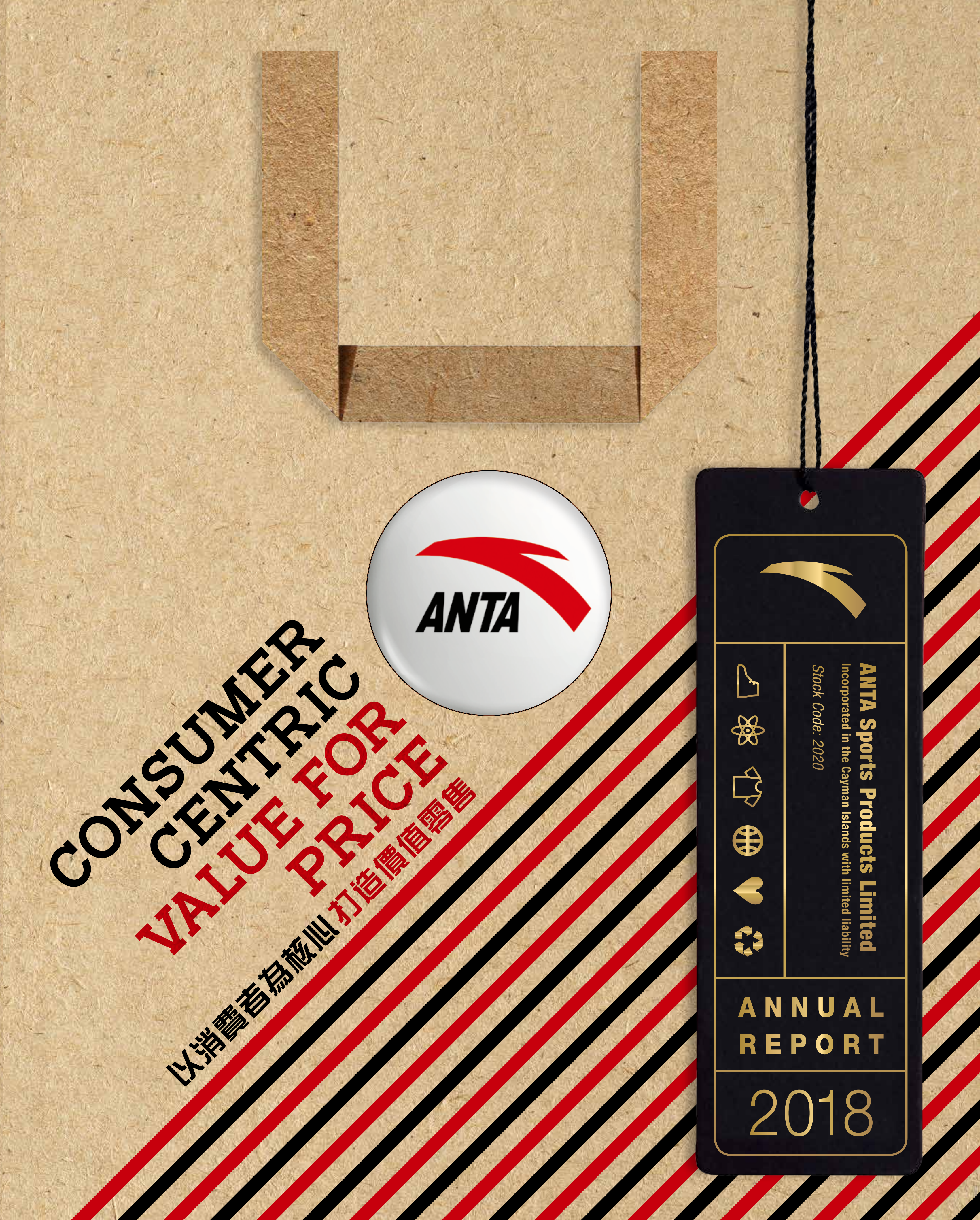
(Stock code: 2020)

2018 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 2018. This announcement, containing the full text of the 2018 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 2018 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 2019.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2018 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
CONSUMER CENTRIC
VALUE FOR PRICE
以消費者為核心 打造價值零售
ANTA Sports Products Limited
Incorporated in the Cayman Islands with limited liability
Stock Code: 2020
ANNUAL REPORT
2018


KOLON SPORT
FUSION
kids
Kingkow
DESCENTE
ANTA
FILA
FILA
KIDS
Sprandi

CONTENT

CORPORATE PROFILE

ANTA brand was established in 1991, while ANTA Sports Products Limited, a leading sportswear company in China, was listed on the Main Board of Hong Kong Stock Exchange in 2007 (Stock code: 2020.HK). For many years, ANTA Sports has been principally engaging in the design, development, manufacturing and marketing of ANTA sportswear series to provide the mass market in China with professional sporting products including footwear, apparel and accessories. By embracing an all-round brand portfolio including ANTA, FILA, DESCENTE, SPRANDI, KINGKOW, and KOLON SPORT, and by seizing every opportunity arising in various important retail channels, ANTA Sports aims to unlock the potential of both the mass and high-end sportswear markets in China.

MISSION

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

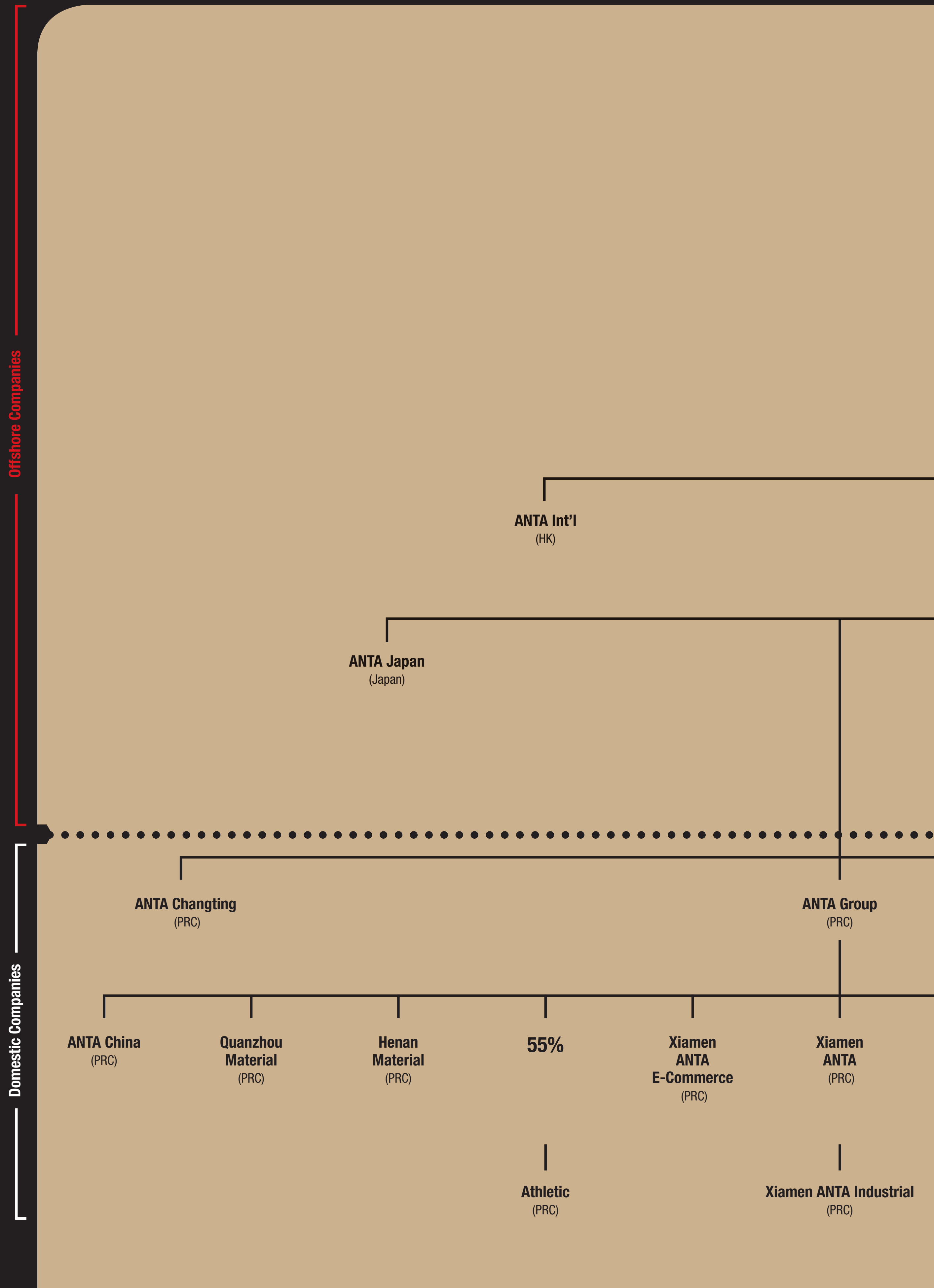
VISION

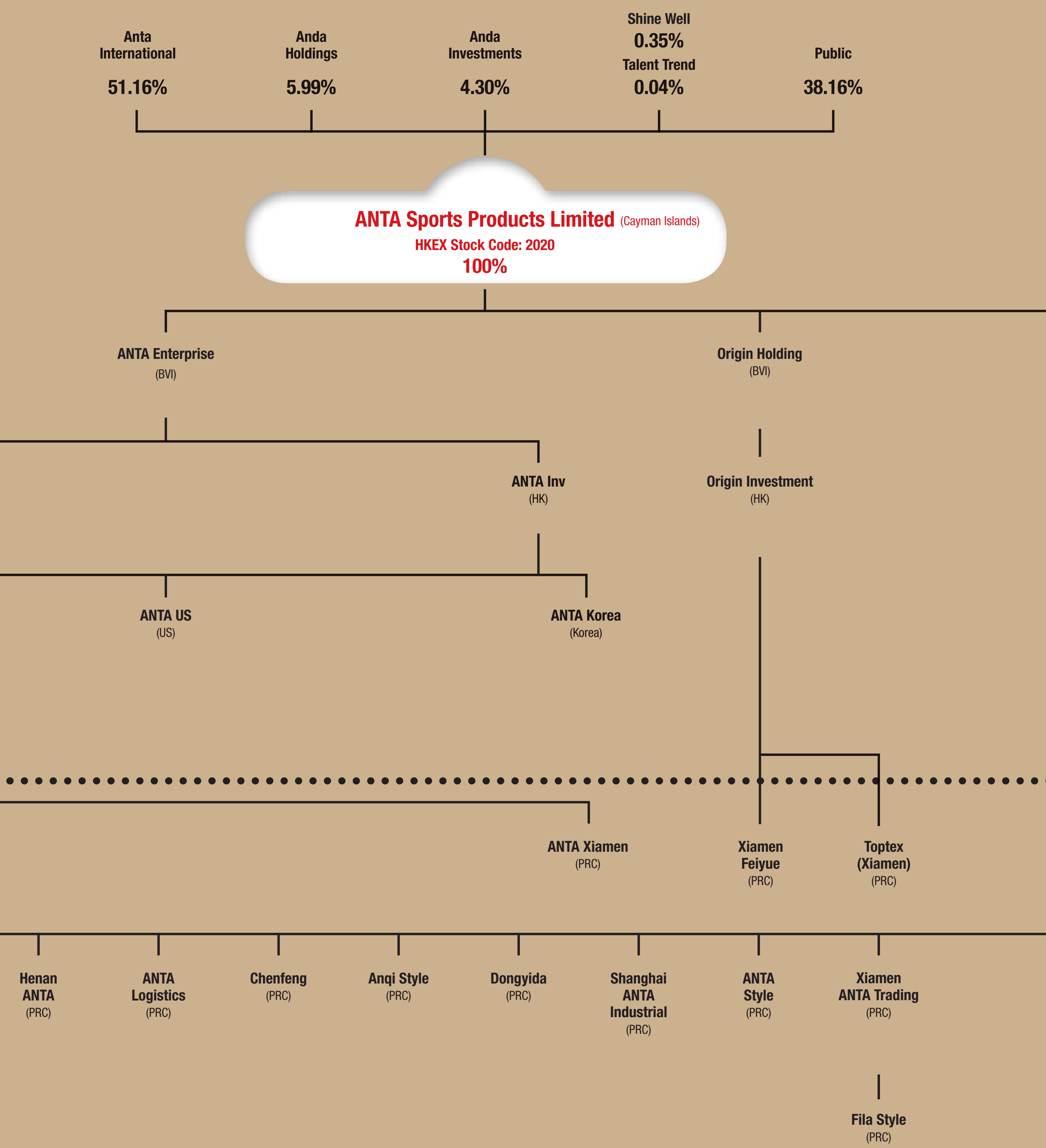
To become respectable world-class, multi-brand sportswear group.

CORE VALUES

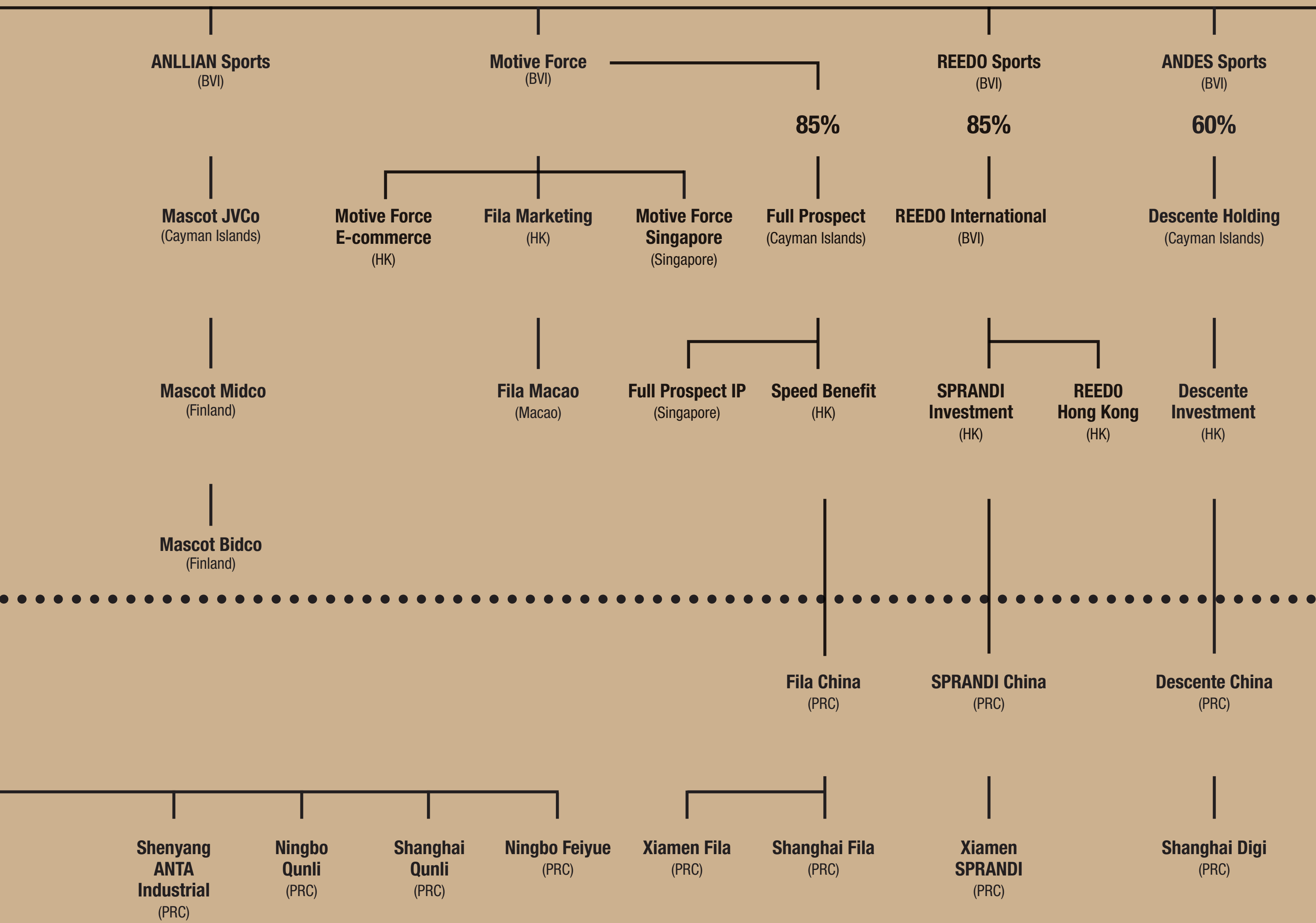
- Consumer-centric
- Devotion
- Innovation and Pushing Ahead
- Respect and Appreciation
- Integrity and Gratitute

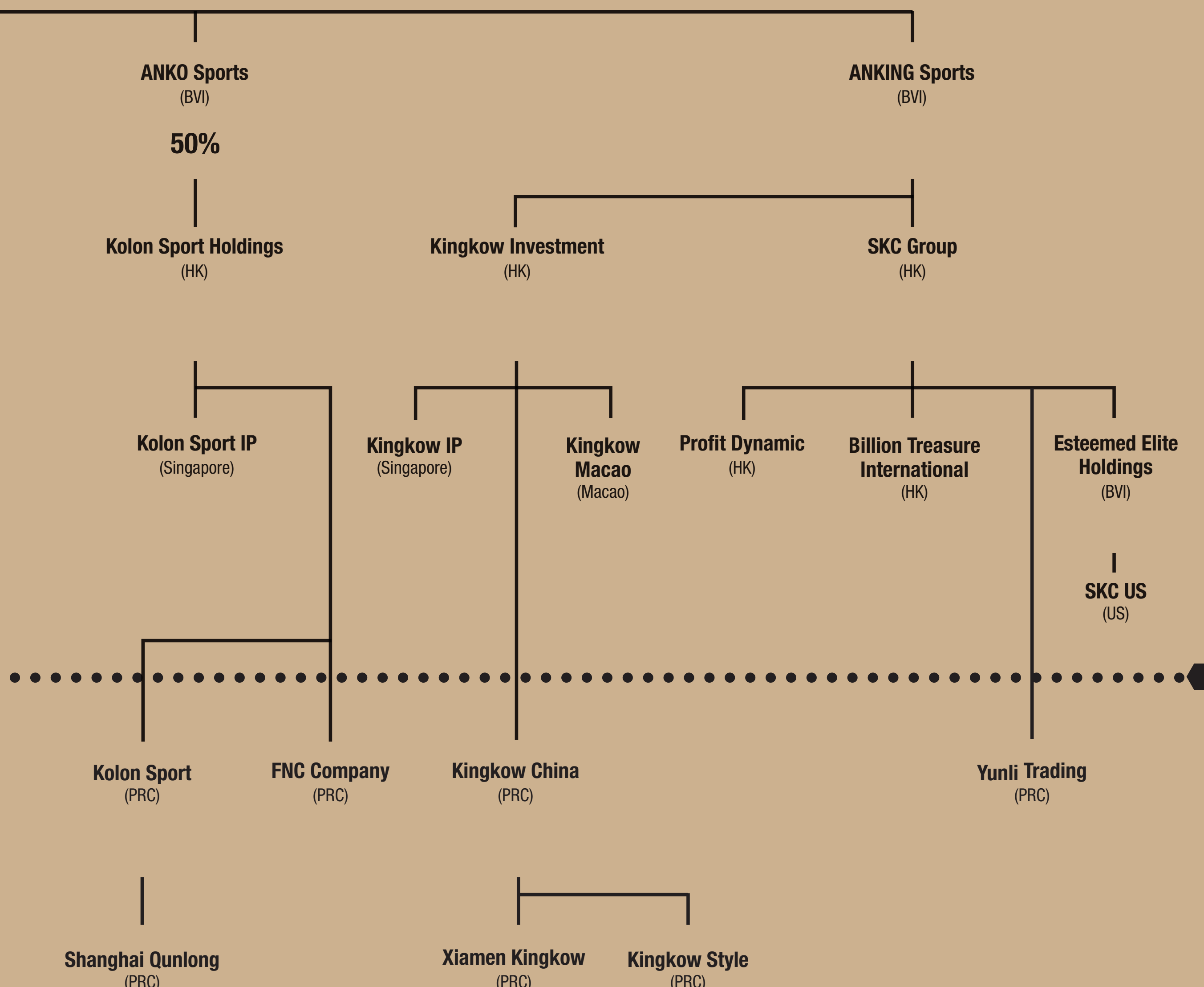
GROUP STRUCTURE





Anta International
51.16%
Anda Holdings
5.99%
Anda Investments
4.30%
Shine Well
0.35%
Talent Trend
0.04%
Public
38.16%
ANTA Sports Products Limited (Cayman Islands)
HKEX Stock Code: 2020
100%
ANTA Enterprise
(BVI)
Origin Holding
(BVI)
ANTA Inv
(HK)
Origin Investment
(HK)
ANTA US
(US)
ANTA Korea
(Korea)
ANTA Xiamen
(PRC)
Xiamen Feiyue
(PRC)
Toptex (Xiamen)
(PRC)
Henan ANTA
(PRC)
ANTA Logistics
(PRC)
Chenfeng
(PRC)
Anqi Style
(PRC)
Dongyida
(PRC)
Shanghai ANTA Industrial
(PRC)
ANTA Style
(PRC)
Xiamen ANTA Trading
(PRC)
Fila Style
(PRC)


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


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

CORPORATE INFORMATION

Board	
Executive Directors	Ding Shizhong (Chairman) Ding Shijia (Deputy Chairman) Lai Shixian Wang Wenmo Wu Yonghua Zheng Jie
Independent Non-Executive Directors	Yiu Kin Wah Stephen Lu Hong-Te Dai Zhongchuan
Company Secretary	Tse Kin Chung
Board Committees	
Audit Committee	Yiu Kin Wah Stephen (Chairman) Lu Hong-Te Dai Zhongchuan
Remuneration Committee	Lu Hong-Te (Chairman) Dai Zhongchuan Ding Shizhong
Nomination Committee	Lu Hong-Te (Chairman) Yiu Kin Wah Stephen Lai Shixian
Risk Management Committee	Yiu Kin Wah Stephen (Chairman) Dai Zhongchuan Lai Shixian
Authorized representatives	Ding Shizhong Lai Shixian
Registered office	
Cayman Islands Office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal place of business in Hong Kong	
Hong Kong Office	16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong
Head offices in 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 Registrar	SMP Partners (Cayman) Limited Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands
Hong Kong Branch Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Legal adviser	Norton Rose Fulbright Hong Kong
Auditor	KPMG
Risk management and internal control review adviser	KPMG Advisory (China) Limited
Principal bankers	Bank of China Limited Bank of China (Hong Kong) Limited Industrial Bank Co., Ltd. Citibank, N.A. The Hongkong and Shanghai Banking Corporation Limited

2018 RECOGNITIONS AND AWARDS

The Chairman & CEO, Mr Ding Shizhong:

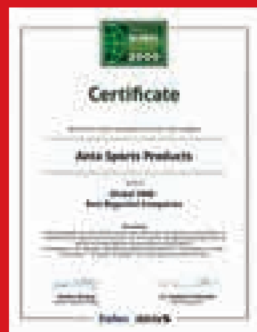
Ranked 35th on the list of "2018 Forbes China's Best CEOs of listed companies"

ANTA Sports:

Acquired **"Most Valuable Listed Company"** in 2018 Hong Kong Listed Company Golden Lion Award, organized by SINA Finance

Won the **"Asia's Most Honored Company"** in the Consumer/ Discretionary Sector of the All-Asia (ex-Japan) Executive Team Ranking from Institutional Investor

Ranked 27th in the China Top 100 Companies by China National Light Industry Council and included in the list of selected special capabilities



Recognized by Forbes 2018 as one of **"Global 2000 - Best Regarded Companies"** and one of **"Global 2000 – Growth Champions"**

ANTA:

Ranked 28th in Brand Finance's **"2018 Global Most Valuable Clothing Brands"**, becoming one of the top 10 brands with the fastest growth in brand value

Was chosen as **"Best Chinese Brand Value in 2018"** by interbrand

Was selected as **"Top 100 Most Valuable Chinese Brands 2018 by BrandZ™"** published by WPP and Millward Brown

Our Investor Relations Department:

Was awarded the “Best IR Company (Large Cap)”, “Best IRO (Large Cap)”, “Best Investor Meeting (Large Cap)”, “Best Annual Report (Large Cap)” and “Best Investor Presentation Material (Large Cap)” by Hong Kong Investor Relations Association

Was named the **“Best IR Hong Kong Listed Company”** in New Fortune’s **“New Fortune 14th Top Board Secretaries and Best IR of Hong Kong Listed Company”**

Was awarded the **“2018 Best in Sector: Consumer Discretionary”** and **“Most progress in IR”** by IR Magazine Awards

Was awarded the **“Best Investor Relations Management”** of 2018 Hong Kong Listed Company Golden Lion Award by SINA Finance

2017 Annual Report “Simply Fantastic”:

Was awarded the **“Silver Award, Annual Reports – Overall Presentation: Consumer Goods”** in the Mercury Excellence Awards 2017/2018 organized by MerComm, Inc.

Was awarded the Gold Winner for **“Printing & Production: Sports Equipment & Goods”** and Bronze Winner for **“Cover Photo/Design: Sports Equipment & Goods”** at the **“2018 International ARC Awards”** respectively

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

FINANCIAL OVERVIEW

Year ended 31 December	2018	2017	Changes
	(RMB million)	(RMB million)	(%)
Revenue	**24,100.0**	16,692.5	⬆ 44.4
Gross profit	**12,687.3**	8,241.1	⬆ 54.0
Profit from operations	**5,699.8**	3,988.7	⬆ 42.9
Profit attributable to equity shareholders	**4,102.9**	3,087.8	⬆ 32.9
Free cash inflow	**3,448.9**	2,662.2	⬆ 29.6
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
– Basic	**152.82**	117.01	⬆ 30.6
– Diluted	**152.69**	116.84	⬆ 30.7
Shareholders' equity per share	**587.63**	510.56	⬆ 15.1
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Interim	**50**	41	
– Final	**28**	41	
– Special	**–**	16	
	78	98	⬇ 20.4
	(%)	(%)	(% points)
Gross profit margin	**52.6**	49.4	⬆ 3.2
Operating profit margin	**23.7**	23.9	⬇ 0.2
Margin of profit attributable to equity shareholders	**17.0**	18.5	⬇ 1.5
Effective tax rate	**26.6**	26.7	⬇ 0.1
Advertising and promotional expenses ratio (as a percentage of revenue)	**12.1**	10.6	⬆ 1.5
Staff costs ratio (as a percentage of revenue)	**10.9**	12.0	⬇ 1.1
R&D costs ratio (as a percentage of cost of sales)	**5.2**	5.7	⬇ 0.5

As at 31 December	2018	2017	Changes
	(%)	(%)	(% points)
Gearing ratio[(1)]	**7.3**	0.8	⬆ 6.5
Return on average total shareholders' equity[(2)]	**27.8**	26.6	⬆ 1.2
Return on average total assets[(3)]	**18.9**	18.5	⬆ 0.4
Average total shareholders' equity to average total assets	**67.9**	69.8	⬇ 1.9
	(days)	(days)	(days)
Average inventory turnover days[(4)]	**81**	75	⬆ 6
Average trade receivables turnover days[(5)]	**35**	41	⬇ 6
Average trade payables turnover days[(6)]	**52**	51	⬆ 1

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report 2018 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 (financing in nature) 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 44.4% to
RMB 24.10 billion

Gross profit margin increased by 3.2% point to
52.6%

Profit attributable to equity shareholders increased by 32.9% to
RMB 4.10 billion

Basic earnings per share increased by 30.6% to
RMB152.82 cents

Payout of the profit attributable to equity shareholders
44.9%

OPERATIONAL PERFORMANCE

Number of ANTA stores (including ANTA KIDS standalone stores) in China stood at
10,057

Number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) in China, Hong Kong, Macao and Singapore stood at
1,652

Number of DESCENTE stores in China stood at
117

Number of KOLON SPORT stores in China stood at
181

Number of KINGKOW stores in China, Hong Kong, Macao and United States stood at
77

Number of SPRANDI stores in China stood at
104

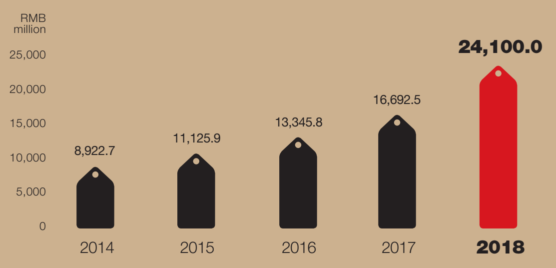
FIVE-YEAR FINANCIAL SUMMARY

	2018	2017	2016	2015	2014
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**24,100,039**	16,692,492	13,345,761	11,125,941	8,922,692
Gross profit	**12,687,278**	8,241,147	6,459,042	5,185,420	4,026,816
Profit from operations	**5,699,785**	3,988,719	3,203,372	2,696,682	2,018,863
Profit attributable to equity shareholders	**4,102,855**	3,087,843	2,385,546	2,040,573	1,700,310
Non-current assets	**5,089,847**	3,632,275	2,770,425	2,345,257	2,036,754
Current assets	**19,284,380**	15,441,941	11,453,116	10,156,699	9,346,996
Current liabilities	**7,547,873**	4,498,352	4,272,505	3,563,262	3,184,693
Net current assets	**11,736,507**	10,943,589	7,180,611	6,593,437	6,162,303
Total assets	**24,374,227**	19,074,216	14,223,541	12,501,956	11,383,750
Total assets less current liabilities	**16,826,354**	14,575,864	9,951,036	8,938,694	8,199,057
Non-current liabilities	**306,493**	215,330	54,705	124,451	194,477
Total liabilities	**7,854,366**	4,713,682	4,327,210	3,687,713	3,379,170
Non-controlling interests	**742,531**	654,129	347,703	234,577	209,423
Shareholders' equity	**15,777,330**	13,706,405	9,548,628	8,579,666	7,795,157
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Basic earnings per share	**152.82**	117.01	95.36	81.66	68.12
Diluted earnings per share	**152.69**	116.84	95.16	81.48	67.98
Shareholders' equity per share	**587.63**	510.56	381.57	343.03	312.19
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per share					
– Interim	**50**	41	34	30	25
– Final	**28**	41	34	30	28
– Special	**–**	16	8	8	8
Total	**78**	98	76	68	61
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	**52.6**	49.4	48.4	46.6	45.1
Operating profit margin	**23.7**	23.9	24.0	24.2	22.6
Margin of profit attributable to equity shareholders	**17.0**	18.5	17.9	18.3	19.1
Effective tax rate	**26.6**	26.7	26.2	26.2	22.7
Advertising and promotional expenses ratio (as a percentage of revenue)	**12.1**	10.6	11.4	11.5	12.0
Staff costs ratio (as a percentage of revenue)	**10.9**	12.0	11.3	11.2	11.0
R&D costs ratio (as a percentage of cost of sales)	**5.2**	5.7	5.1	5.2	4.3
Gearing ratio[1]	**7.3**	0.8	10.8	11.4	11.8
Return on average total shareholders' equity[1]	**27.8**	26.6	26.3	24.9	22.7
Return on average total assets[1]	**18.9**	18.5	17.9	17.1	15.8
Average total shareholders' equity to average total assets	**67.9**	69.8	67.8	68.6	69.5
	(days)	(days)	(days)	(days)	(days)
Average inventory turnover days[1]	**81**	75	61	58	58
Average trade receivables turnover days[1]	**35**	41	39	33	35
Average trade payables turnover days[1]	**52**	51	44	41	54

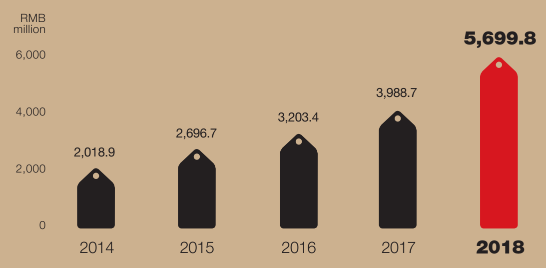
Notes:

(1) Please refer to notes on page 10 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.

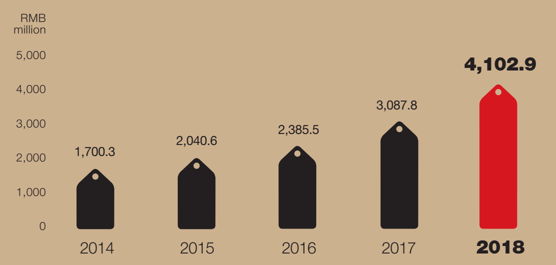
REVENUE



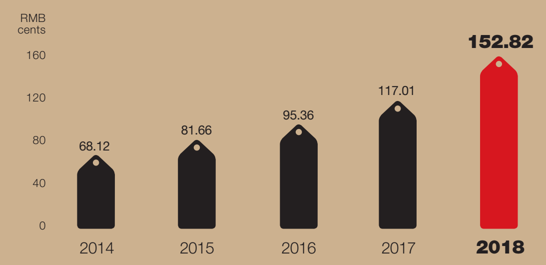
PROFIT FROM OPERATIONS



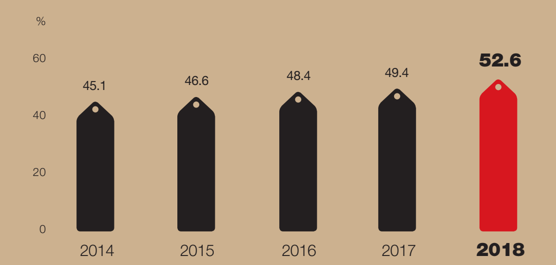
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



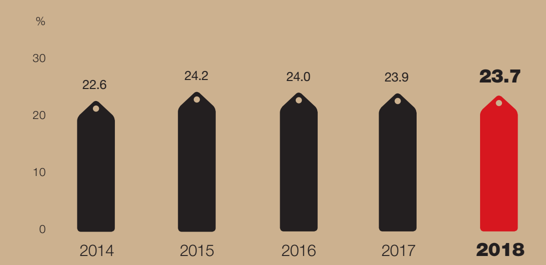
BASIC EARNINGS PER SHARE



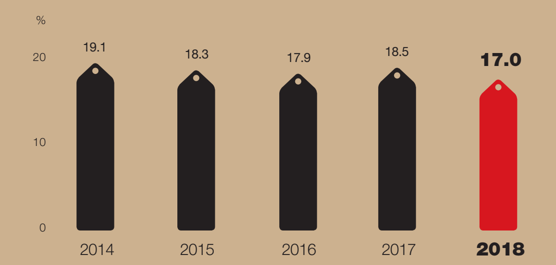
GROSS PROFIT MARGIN



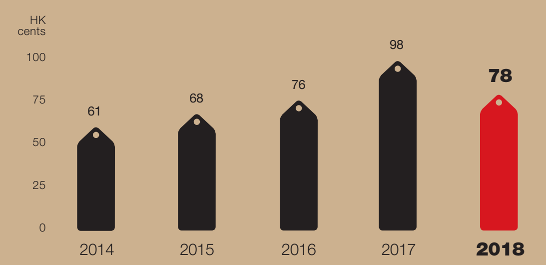
OPERATING PROFIT MARGIN



MARGIN OF PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



TOTAL DIVIDENDS PER ORDINARY SHARE

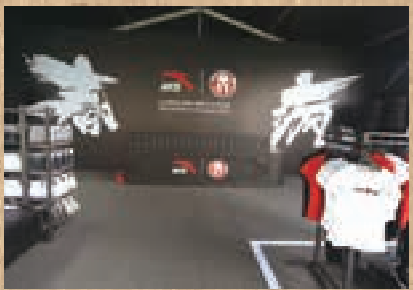


MILESTONE OF 2018

February

ANTA equipped Chinese sports athletes with winter sportswear for the PyeongChang Olympics Winter Games

Chinese sports athletes participated in the PyeongChang Olympic Winter Games wearing ANTA's winter sportswear. Wearing ANTA's short track speed skater wear, Wu Dajing won the gold medal on behalf of the Chinese Delegation. During the torch relay before the Olympic Winter Games, Ding Shizhong, Chairman and CEO, and James Zheng, Executive Director & Group President, participated in the Olympic torch relay event as part of the PyeongChang Olympic Winter Games.



Sponsored the Spartan Race for the first time

ANTA collaborated with the world-class obstacle course race for the first time, encouraging people to adopt more active lifestyles and to enjoy taking part in sports.

March

China wheelchair curling team achieved a breakthrough at the Winter Paralympic Games while wearing ANTA's winter sportswear

With the support of ANTA's winter sportswear, the Chinese wheelchair curling team beat its competitors and won its first gold medal for China at Winter Paralympic Games, achieving a breakthrough for the Chinese Delegation at the Winter Paralympic.

ANTA commenced collaboration with Zhejiang Greentown Football Club to enter the Chinese Football Association Super League

ANTA commenced its collaboration with Zhejiang Greentown Football Club, becoming its partner and sportswear sponsor. It was the first time that ANTA has collaborated with a professional soccer club and reflected ANTA's determination to develop the professional soccer sector.

April

Zhang Yuexuan, also Known as "Tian Tian", became ANTA KIDS endorser

The famous child star Zhang Yuexuan "Tian Tian" became the latest brand endorser for ANTA KIDS, helping to further promote ANTA KIDS.

May

"Shock the Game" Events – The Playoffs and ANTA Charity Activities

Klay Thompson, an all-star player for the three-time NBA champions Golden State Warriors, visited China to take part in a series of promotional activities for ANTA. In Guiyang, China, Klay Thompson, as ANTA's Charity Ambassador, took part in the opening ceremony of the "ANTA Adream Center" .

Launched SEEED Plan

In cooperation with NASA, ANTA launched SEEED Plan, a fashionable shoes series, in celebration of NASA's 60th anniversary.

August

ANTA's Champion Outfit debuted at the Asian Games in Jakarta

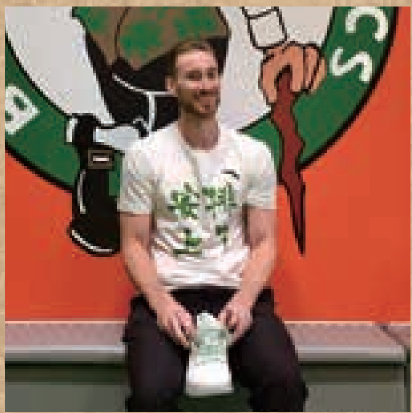
ANTA's Champion Outfit designed for the Chinese Sports Delegation debuted at the Asian Games in Jakarta. The core concept of the outfit, "The Great Wall", reflected China's tradition of tenacity and unity, showing that Chinese sports athletes are united and will fight for the glory of their motherland. In celebration of the Asian Games, ANTA also launched the "Burn & Vivid" promotion, using the games as a platform to encourage more people to participate in sports.

September

FILA Fashion Show debuted at Milan Fashion Week

FILA debuted at Milan Fashion Week in Italy, becoming the first sports brand to be showcased at a fashion show in the city. Using the brand's unique combination of red, white and blue colors as inspiration, as well as riding on the release of the new SS2019 Collection, the event attracted over 100 media and celebrities.

October



ANTA joined hands with Gordon Hayward and ANTA KIDS joined hands with Premier League team Burnley FC to support the development of soccer in China

ANTA officially signed an endorsement contract with Gordon Hayward, a famous NBA star, and became one of ANTA's basketball endorsers together with Klay Thompson, Rajon Rondo and Luis Scola. ANTA KIDS signed a contract with the Community Department of Premier League team Burnley Football Club, which has been playing soccer for more than a century. Both parties will work to roll out the "Chinese Football Coach Training" program across various provinces in China to further promote soccer amongst young people and youth sports training in China.

October

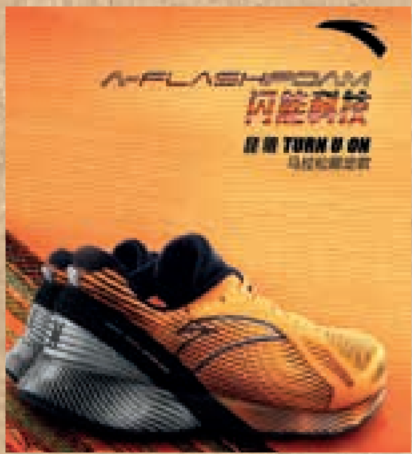
ANTA supported the Chinese Men's Gymnastics Team to win again at the Gymnastics World Championships

ANTA's competition and Champion Outfit was once again on show as the Chinese Men's Gymnastics Team enjoyed their moment of glory in China's sporting history.

December

An investor consortium announced the proposed of the voluntary recommended public cash tender offer for all the shares of Amer Sports made by the offeror

ANTA Sports led an investor consortium, which announced the voluntary recommended public cash tender offer for all the issued and outstanding shares of Amer Sports.



The official launch of ANTA C202 Marathon Tailor-Made Running Shoes and KT4 Pro

ANTA C202 Marathon Tailor-Made Running Shoes and KT4 Pro were officially launched, giving customers of ANTA products a different experience.

Gao Yuanyuan
A Chinese renowned actress

Revenue

+44.4%

to

RMB

24.10

billion

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2018.

A NEW DECADE SINCE ESTABLISHING THE BUSINESS, FROM OUTSTANDING TO EXCELLENT

The year 2018 was an important milestone for both China and ANTA Sports. While China celebrated the 40th anniversary of its reform and opening up policy, ANTA Sports, which has grown in tandem with the reform process, has embarked on a new decade of growth as a listed company. Our success and transformation from a traditional privately owned enterprise to a public company, with global competitiveness and solid corporate governance structure, resulting in building a strong foundation for corporate future development.

RIDING THE WIND AND WAVES, THIS IS OUR MOMENT!

As we "keep moving" and seize every opportunity, we are more focused and dedicated than ever to strengthen our march towards becoming a world-class multi-brand sportswear group. In the same way that the Chinese often say "sturdy grass withstands a strong wind", capable companies can endure times of trouble and become stronger even in a challenging and volatile market. This is our raison d'etre! We will never forget our mandate to be a consumer-centric company that builds on our multi-brand strategy and innovation. Only by remaining steadfast to our mission, committing to innovation, and upgrading our brand with a global mindset can we truly become the "Great Brand".

In 2018, online and offline businesses of ANTA Sports attained satisfactory results. In addition to the impressive results achieved by the Group's brands, revenue has increased 44.4% to RMB24.10 billion (2017:

RMB16.69 billion), profit from operations and profit attributable to equity shareholders have increased 42.9% to RMB5.70 billion (2017: RMB3.99 billion) and increased 32.9% to RMB4.10 billion (2017: RMB3.09 billion) respectively. Not only all three financial indicators hit record highs, but it also marks the fifth consecutive year of double-digit growth.

RETAIL PLATFORMS BOOST MULTI-BRAND STRATEGY

ANTA Sports' unique "Single-focus, Multi-brand and Omni-channel" operational model has enabled us to successfully penetrate into different market segments and distribution networks, thus helping increase in market share. With more and more brands having joined the Group, it has been important to transform these brands from independent operations to mutual collaborators to maximize the effectiveness of overall synergy. By building a systematic platform, we have enhanced the synergy between different brands, enabling them to benefit from economies of scale. We have also implemented the concept of incubation, establishing several incubation platforms to share supply chains, e-commerce channels, logistics resources and finance services. These platforms have created the "Group Incubator" advantage, which has not only led to rapid growth for our new brands, but has also optimized resource allocation, leading to win-win and mutual benefits among brands.

We have proactively encouraged the transformation and upgrade of our retail channels. For example, we introduced ANTA's "Eighth-Generation Stores" to improve store image and enhance brand awareness. Our integrated logistics center commenced operations during the year, supporting the Group's multi-brand strategy. In addition, to attract global attention on ANTA Sports, we began to benchmark ourselves against world-class enterprises. We have sought to learn from outstanding international enterprises and, based on their experience, made wide-ranging upgrades in terms of products, branding, retailing, supply chain and corporate management.

RIDING ON SYNERGISTIC INCUBATION TO ACHIEVE VALUE RETAILING

ANTA Sports has put "consumer-centric" at the heart of our "value retailing" philosophy. When enhancing the value of our brand and products, we look at value from four perspectives. The first perspective is the "value of end users", which requires the integration of online and offline services. By collecting and analyzing data from our "wisdom stores", we have gained insights into consumer behavior and used them to improve our managerial efficiency. We have also built the perfect customer experience by upgrading our stores, management methods and services. The second perspective is the "value of products", which ensures we provide consumers with the most appropriate products to meet their key demands and minimize inventory risks. The third perspective is the "value of branding". We have upgraded our brands to resonate with our consumers to improve our brand awareness and brand influence. The fourth perspective is the "value of culture". We have created a win-win environment for our employees and helped them to achieve their personal goals.

Riding on these four value perspectives, all brands performed well during the year. Among our brands, FILA is renowned for its good-quality products, effective management and international brand recognition. ANTA's KT basketball series has prompted shopping sprees. Meanwhile, ANTA KIDS created its own brand style through upgrades of its retail operations. For e-commerce, we used big data to analyze market trends, which led to new sales records. We also test ran "wisdom stores" in several locations, where we analyzed consumer behaviour using big data and made predictions about market trends. This further improved our stores' effectiveness and spurred an upgrade in our retail terminal. Based on our "Product Power + Branding Power + Retail Power" philosophy, we are confident that our brands will become brands that consumers want to buy.

STEPPING INTO THE WORLD WITH A GLOBAL MINDSET

During the year, ANTA Sports joined China's Winter Olympic Delegation at the PyeongChang 2018 Olympic Winter Games in South Korea. We have also spared no effort in preparing apparel for the Beijing 2022 Olympic and Paralympic Winter Games. Our cooperation with the China Olympic Committee and the Chinese Winter Olympic Delegation was effective in improving the influence of ANTA on the world stage. We were also proud to see China's athletes once again give spectacular performances with the aid of ANTA's winter sportswear.

During the year, I made my most important decision since establishing this business: signing an official tender offer for Finnish sportswear group, Amer Sports, with an investor consortium comprised of ANTA Sports and other investment parties. This marks an important milestone for ANTA's internationalization process. Although several steps remain before the acquisition is complete, I am confident in this deal because I know that we have both the capability and confidence to create value for global consumers. I also firmly believe that the dream of helping our brands get international exposure is being gradually realized.

ANTA Sports has attained another year of excellent results, which would not have been possible without the support of our supply chain partners, branding partners, distributors, franchisees and consumers. Moreover, the efforts and dedication of all of our employees have also contributed to our success. I would like to take this opportunity to express my sincerest thanks to all of them.

Ding Shizhong
Chairman

Hong Kong, 26 February 2019

EXECUTIVE DIRECTORS

Mr. Ding Shizhong
Chairman & CEO

Mr. Ding Shijia
Deputy Chairman

Mr. James Zheng
Executive Director &
ANTA Brand President

Mr. Lai Shixian
Excutive Director & CFO

Mr. Wu Yonghua
Executive Director & Group Sales President

Gross Profit

+54.0%

to

RMB

12.69

billion

Gross Profit Margin

52.6%

Daniel Wu
A Greater China renowned movie star

MARKET REVIEW

The sportwear industry demonstrates resilience against economic headwinds in China and globally

In 2018, the global market was put to the test under a complex environment with significant downward pressure. Nevertheless, the sportwear industry especially in China enjoyed strong growth and was duly recognized by the investment community.

Economy in China is characterized by its supply-side structure that has delivered both stability with hidden uncertainty and volatility mixed with potential economic plights. China is steadfast in implementing supply-side structural reform and establishing more reform measures to maintain a stable economy. According to the National Bureau of Statistics of China, in 2018, the National Consumer Price Index (CPI) increased by 2.1% annually, and the China Industrial Producer Ex-factory Price Index (PPI) increased by 3.5% annually. Of which, the price of consumer goods rose by 1.9% and the total retail sales of consumer goods reached RMB38,098.7 billion with an increase of 9.0% over the same period last year.

China sports industry is in its golden age. According to the "13th Five-Year Plan for the Development of Sports Industry" issued by the General Administration of Sport of China, the scale of the sports industry will reach RMB3 trillion; and likewise, the "Opinion on the Development of Sports Industry and Acceleration of Sports Related Consumption" has noted that the total size of China's sports industry in 2025 is set to exceed RMB5 trillion. In addition, the National Development and Reform Commission (NDRC) and the General Administration of Sport of China issued the "Action Plan to Stimulate Sports Consumption (2019-2020)", believes that the total size of sports consumption in the country will reach RMB1.5 trillion by 2020. While focusing on supporting the development of consumer-oriented fitness and leisure sports, and promoting watersports, mountain and outdoor, aerosports, automobile and motorcycle sports, marathon, cycling, fencing and other sports development, the "Action Plan" specifically mentioned the ongoing strategy of "Expanding Winter Sports Towards the Southern, Western & Eastern Regions" to promote the development of related industries such as tourism, stadium construction, growing training and equipment for winter sports. Meanwhile, the plan also called for the acceleration of the reform of professional sports such as soccer and basketball, and for the government to act as a leader in stimulate the consumption on sports. Moreover, the launch of the "Healthy China 2030" Plan and the "National Fitness Program (2016-2020)" has created the blueprint for a robust sportswear industry with impetus growth underpinned by comprehensive supporting policies from the government.

Nevertheless, some of China's sportwear brands continue to face challenges, including ambiguous brand positioning, lack of product differentiation, cannibalization and competition between their own online and offline channels. With increased competition, the performance of various brands has differed. However, riding on our strong fundamenals as well as effective retail operational policy, we believe we will maintain our leading market position and stand out among our peers, attaining additional market share against the backdrop of a rapidly changing industry that is continuously consolidating.

ANTA continues to ride on market trends with its "Single-Focus, Multi-Brand, Omni-Channel" strategy

Since its establishment, ANTA has transformed itself from one of the "followers" to the "leader of the pack" in sportswear industry in China. Going forward, ANTA will remain steadfast in producing every pair of shoes, every piece of clothing with the best quality, taking on the task of being the brand ambassador of Chinese national brand, and marching toward goal of being the world-class sportswear company with more than RMB100 billion in value.

With the advent of internet, many forms of retail business have derived, but the nature of retail of creating value for consumers has not been changed. While consumer demand has diversified, creating "value retail" has become the mandate for capturing consumer trends by means of technology and data mining. We believe that it is imperative to realize the value in data, products, brands and services in the retail ends to enhance the customer's shopping experience. While China's sportswear market continues will grow along with changes in consumer behavior and demand, we have seen consumer preferences increasingly focus on personality, value, and experience. Distribution channels are also undergoing structural changes in response to the integration of online and offline channels. We also found that China's consumer segmentation varies from cities, differentiating in terms of demographics, distribution channels preference, and spending power. Consumers' preference for "sports leisure" fashion has also increased, and the demand for "functionalized", "differentiated" and "preimmunized" products has increased. Therefore, it is necessary to speed up the pace from design to R&D, production to distribution, meeting market demand accordingly. Based on the above analysis, we continue to leverage on our "Single-focus, Multi-brand, Omni-channel" strategy, further penetrating into different markets in China. During the year, we not only reached record high in revenue and profit attributable to shareholders, but also won many awards on both the Group and brands.

Who We Are?

BRAND-DRIVEN BUSINESS MODEL

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

What Are Our Target Markets?

HIGH-END AND MASS MARKET

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

ANTA KIDS
Kid's sportswear

FILA
Sports fashion clothing

FILA KIDS
Kid's sports fashion clothing

FILA FUSION
Youth's trendy clothing

DESCENTE
Functional sportswear for skiing, cross-training and running

SPRANDI
Leisure footwear

KOLON SPORT
Outdoor sportswear products

KINGKOW
Kid's fashion products

What Retail Channels Do We Cover?

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

What Do We Do?

SUPPLY CHAIN MANAGEMENT

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

BRAND MANAGEMENT

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

PRODUCT MANAGEMENT

- R&D / Innovation
- Design
- Quality Control

DISTRIBUTION NETWORK MANAGEMENT

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

BUSINESS REVIEW

1. Strengthening the "Single-Focus, Multi-Brand and Omni-Channel" Management Model

The multi-brand strategy has expanded our global resources and given us invaluable international experience. Thanks to the design, R&D, supply chain and professional teams, the brands have transformed from a brand "you can buy" into the brand "you want to buy". We continue to leverage our multi-brand model to strengthen our core competitiveness and build its capability in brand-building, merchandizing and retailing.

During the year, we continued to leverage our unique operational models and strengthen our competitiveness, especially in terms of our ability to grow our market share in multiple consumer segments. Through perfecting our "Single-Focus, Multi-Brand and Omni-Channel" strategy, together with our existing distribution network, including street stores, shopping malls, department stores, outlet stores and e-commerce channels, we have delivered another set of excellent operational results.

2. Brand Management

2.1 ANTA

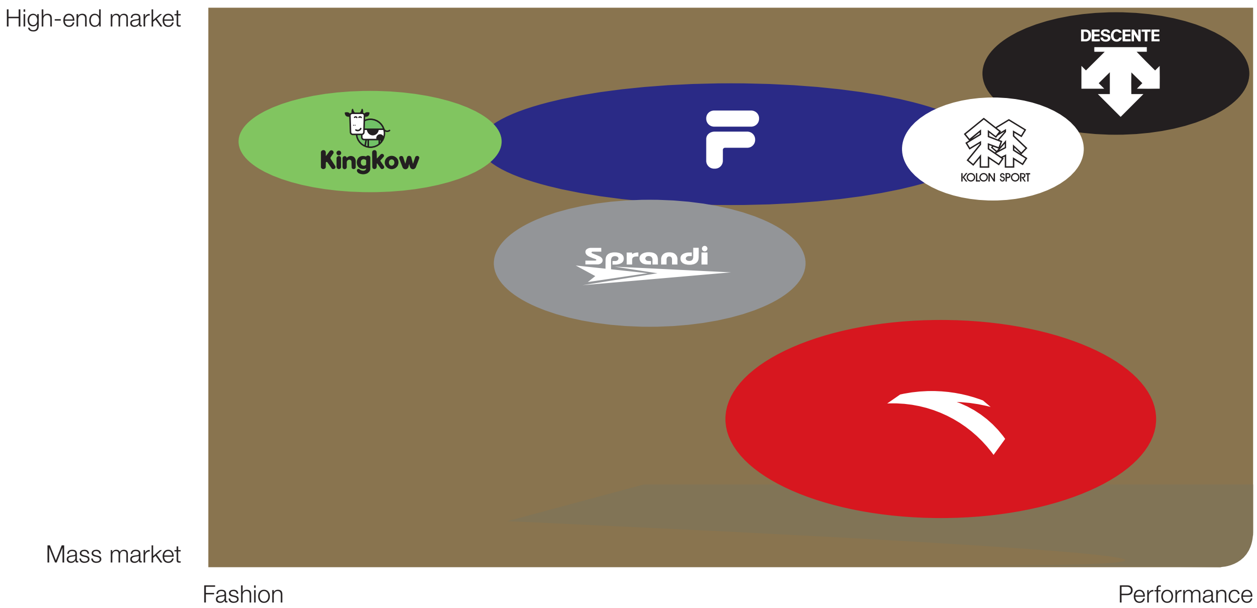
ANTA has continued to solidify its leading position in China's sportswear industry by producing value-for-money functional products across a diverse range of sports categories, from popular sports to professional and niche sports, including running, cross-training, basketball, soccer, boxing and others.

During the year, ANTA continued to support Chinese athletes. We sponsored 24 Chinese national teams, including winter sports, boxing and taekwondo, gymnastics sporting management event centre, weightlifting, wrestling, judo and rowing. As the official sportswear partner of the COC, ANTA fully supported the Chinese national teams at the PyeongChang 2018 Olympic Winter Games. The teams achieved pleasing results.

Unique Business Model -
Full Coverage of Consumers through Multiple Brands

Full Coverage

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



ANTA designed the "Champion Dragon Outfit" for the Chinese national teams. The outfit adopted traditional Chinese "dragon" imagery, and the Chinese athletes wore it whenever they received medals on the podium. Moreover, China's Gymnastics Team rewon the championship at the Artistic Gymnastic World Championships in Doha, Qatar, in 2018, after four years of effort. The Chinese athletes stepped onto the podium wearing ANTA-designed outfits. At the 2018 Youth Olympic Games in Buenos Aires, Argentina, nearly 100 Chinese youth athletes wore the "Oriental Champion Outfit" designed by ANTA. ANTA's brand awareness has been solidified through its several appearances during the Olympics.

Qualified products is the best tool for motivating brand influence. Apart from the A-Flashfoam technology running shoes, the C202 running shoes offered a new experience to runners. Their strong surface traction, as well as their dry and breathable design, allow runners to perform at their best. For cross-training, ANTA's new products are widely recognized in the market. Among them, the A-Livezone cross-training shoes apply a dual-color net combined with a special design in the toe cap, and are simple and easy to clean. The application of A-Livezone technology in the middle of the shoe has excellent foot-holding function.

During the year, ANTA signed an endorsement contract with Gordon Hayward, an NBA star. Hayward, alongside Klay Thompson, Rajon Rondo and Luis Scola, became ANTA's basketball endorsers.

We launched a new series product that received an overwhelming response from the market. In particular, the "KT3-Rocco Limited Edition Basketball Shoe" drew a queue of nearly 1,000 customers in San Francisco, the United States, at its launch, and sold out on launch day in Beijing, Chengdu, Shenzhen and Guangzhou, China.

We continued to work with Klay Thompson during the year, launching the 2018 ANTA "Shock the Game" tour in China and other basketball-related marketing activities. Klay Thompson not only visited the ANTA experiment center to provide the most accurate supporting data for the new KT series products, but also interacted with fans in numerous cities in China. He also participated in ANTA's 2018 "Shock the Game" basketball final match in Guangzhou, further strengthening ANTA's brand awareness within basketball market.

MANAGEMENT DISCUSSION AND ANALYSIS

Regarding crossover products, ANTA boosted sales through crossover integration with a full understanding of consumers' preferences. To celebrate NASA's 60th Anniversary, ANTA x NASA launched the SEEED series shoes. Combining elements of both NASA and ANTA, the SEEED series emphasized the good combination of NASA's courage in exploring the unknown universe and ANTA's "Keep Moving" philosophy, and had an outstanding market response. Furthermore, we continued to ride on last year's success of causal daddy shoes, during the year, the ANTA x KIKS crossover limited edition of causal daddy shoes provided a desert-toned sock-shoe design, offering stylish new choices to mix and match.

ANTA has always been committed to promoting soccer in China. In the first half of 2018, ANTA confirmed its strategic partnership with Zhejiang Greentown Football Club, and announced a brand new home and away shirt design for the club's 2018 season. This was ANTA's first professional soccer club collaboration, proving our commitment to developing in this area.

As the official sportswear partner for the Beijing 2022 Olympic and Paralympic Winter Games, ANTA will endeavor to provide winter sportswear for the COC national teams by using new techniques and technologies, and to promote the development of winter sports in China.

Zhang Li
A Chinese renowned actress

Profit from Operations

+42.9%

to

RMB

5.70

billion

Operating Profit Margin

23.7%

2.2 ANTA KIDS

ANTA KIDS has tapped into the high-growth potential of the kids' sportswear market in China, providing sportswear products for children aged 0 to 14, for performing professional sports and casual wear. Following two-child policy launched by China, ANTA KIDS was the first domestic sportswear brand to enter the market and enjoys an advantage of trailblazer. ANTA KIDS has successfully enhanced the desirability of its products among consumers and has expanded its market share by providing value-for-money products. As such, ANTA KIDS is well-positioned to take advantage of growing opportunities in this market.

Using the promotional slogan of "Grow Up with Fun", ANTA KIDS has committed to making children grow meaningfully in interesting sports, inspiring their talents development and creating better future.

During the year, ANTA KIDS upgraded its "Sports Day" event and launched it in seven cities: Beijing, Shanghai, Xiamen, Xi'an, Chengdu, Zhengzhou and Shenzhen. In addition to the 2018 World Cup, the "Sports Day" introduced a special way of playing soccer to achieve an upgrade to professional level. "Sports Day" offered different smart experiences, testing children's bodily and sporting data with aid of advanced technology, to provide specific future sports training. The smart wristbands was given to the children on site, which would be able to synchronize the game scores and bodily measurement to the ANTA KIDS big data platform on a real-time basis, as a provision of scientific evidence for future R&D on ANTA KIDS products.

In addition to the running, basketball, outdoor, cross-training and lifestyle series products, ANTA KIDS also strived to collaborate with Marvel heroes and Hello Kitty etc., to introduce crossover products that are welcomed and acclaimed by the general public. During the year, ANTA KIDS introduced the idea of "Sports Minimalism" and launched the Blanc series.The launch of the Blanc series has sparked a hot debate in sports fashion and provided more choices for consumers looking for high quality products.

The huge encouragement and support for youth soccer development by the Chinese government, in addition to the 2018 World Cup in Russia, has boosted the popularity of soccer. During the year, ANTA KIDS signed a contract with Burnley Football Club, a Premier League team with over 100 years of history, to commence the “China Soccer Coach Training” project in China. The project will be the core of both parties’ work, jointly improving the popularity and development of youth soccer.

ANTA KIDS do not only encourage every child to unleash their full potential and enjoy sports, but is also happy to help parents to inspire growth of children. Through its cooperation with famous child stars, ANTA KIDS has established a sporty, energetic and inspiring brand image. During the year, ANTA KIDS invited Zhang Yuexuan (Tian Tian), son of model Zhang Liang, to be its first endorser. Consumers got to know more about ANTA KIDS through the fashionable, energetic yet naughty and warm image of Tiantian, which also enriched the brand personality at the same time. The star products gained much attention from the market and achieved growth in both brand recognition and market share.

2.3 FILA, FILA KIDS and FILA FUSION

Since acquiring the FILA business in China in 2009, we have been actively expanding the brand in China, Hong Kong, Macao and Singapore. FILA has been positioned as a high-end sports fashion brand that targets high-end consumers aged between 25 and 45. Through different product collections, FILA offers consumers unique and differentiated sportswear products.

In addition to series like FILA RED, FILA WHITE, FILA BLUE and FILA ORIGINALE, FILA also continued its collaboration with Jason Wu, a New York-based Chinese-American fashion designer, and Ginny Hilfiger, a renowned American fashion designer, to introduce the brand-new Jason Wu X FILA and FILA Modern Heritage series. During the year, FILA worked with

another renowned designer, Phillip Lim, on the FILA X 3.1 Phillip Lim series, leading the trends in high-end sportswear. We also worked with Chinese celebrities such as Gao Yuanyuan, Chen Kun and Ma Sichun, to further enhance our brand image and strengthen our brand recognition in China. FILA DISRUPTOR II was awarded the best shoe of 2018 by《FN (Footwear News)》, the United States prestigious magazine in the footwear industry. FN's editorial team based the award on retail sales, consumer feedback, social media ability and overall popularity of the product.

FILA had its debut in Milan Fashion Week during the year and released its 2019 Spring Summer ICONIC collection. FILA extended its spirit of crossover between sports and style, redefined high-end sports fashion by breaking through the limitations of traditional sports brands, and dared to speak out in the global fashion sector. As the first sports brand to participate in Milan Fashion Week, the first FILA show was prepared by its Creative Directors, Antonino Ingrasciotta and Joseph Graesel, giving new energy and life to the brand's 100-year history, and mixing FILA's past and future, resulting in the perfect blend of Italian classic and modern high-end sports fashion.

FILA officially launched a new sportswear series, FILA FUSION. The series tapped into the youth market aged 20-30, separate from FILA's established standalone stores. FILA FUSION signed an endorsement contract with Roy Wang, presenting a young, bright, trendy and sporty brand image, collaborating with different world-renowned brands to launch crossover series, ranging from international fashion brand AAPE by A Bathing Ape to Korean brand D-ANTIDOTE and New York streetwear brand Staple etc. We opened standalone FILA FUSION stores to target young customers. FILA FUSION teamed up with new designers and top fashion brands around the world to explore the younger generation's fashion style, and received remarkably positive feedback from the public.

FILA KIDS

While FILA stores mainly located in the first-and second-tier cities in China, FILA strategically penetrates in other cities by opening stores in prime location.

FILA's kidswear brand, FILA KIDS was set up in 2015, aims to provide high-end apparel and footwear for children aged 3 to 12. Encompassing FILA's elegant and unique style, FILA KIDS has become widely popular in the kidswear market. During the year, FILA KIDS introduced the FILA KIDS WHITE LINE collection, offering vintage, fanciful apparel in a Romanian style. Furthermore, FILA KIDS introduced several crossover products, including the simultaneous launch of the FILA KIDS X WONNIE FRIENDS collection and Christmas Emoji, combining online and offline promotions. We also introduced the FILA KIDS X STAPLE and FILA KIDS MIND FAMILY collections. We believe FILA KIDS will continue its growth momentum and make a remarkable contribution to the FILA brand's overall sales.

2.4 DESCENTE

In 2016, we formed a joint venture company to operate and engage in the design, sale and promotion of products bearing the "DESCENTE" trademark exclusively in China. DESCENTE focuses on high-end sportswear and accessories for skiing, cross-training and running.

After more than two years of development, DESCENTE has gradually developed. During the year, we invited Greater China movie star, director and producer Daniel Wu to become DESCENTE's first Chinese endorser, embodying DESCENTE's brand concept of professional, innovative, and daring to challenge.

During the year, DESCENTE opened its first store in Southern China in Xiamen. We invited Chinese table tennis champion Zhang Jike to participate in the launch activities. Meanwhile, DESCENTE organized the first anniversary celebration for its first flagship store in Shanghai in China. Chinese boxing champion Zou Shiming attended the event and demonstrated the brand philosophy of "Design Drives Sports Spirit," providing an extraordinary experience for sports lovers.

Furthermore, we invited famous fitness coach to lead a series of female fitness courses themed "Design Your Moves" in Shanghai, Chengdu, Beijing and Nanjing. "Design Your Moves" aimed to promote safety and comfort in sports with the SPIRITUAL product series, encouraging women to explore their potential and express themselves through sports.

Following the conclusion of the PyeonChang 2018 Olympic Winter Games, winter sports in China have attracted an unprecedented level of attention as China prepares to host the Beijing 2022 Winter Olympic Games. With DESCENTE's first-mover advantage and a focus on the fast-growing winter sports market, we are confident that DESCENTE will leverage the huge potential of the winter sports market to become one of the most successful sportswear brands in China ahead of the Beijing 2022 Olympic Winter Games.

2.5 SPRANDI

SPRANDI is a fashion and lifestyle sportswear brand, mainly focusing on fashionable athletic footwear in China. By opening more physical stores and e-commerce platforms, SPRANDI continued to grow and penetrate the emerging middle-class market in China.

With a focus on innovative technology and a comfortable athletic experience, SPRANDI launched the Lifestyle, Active and Hype Product series. The Queen Lite of the SPRANDI Lifestyle series is designed to hide elevator heels and achieve a seamless appearance with a practical and comfortable design. The Powercell training shoes of the SPRANDI Active series have excellent rebound, allowing relaxation during exercise. SPRANDI continues to improve its competitive differentiation, and has enhanced its brand image via seasonal promotions with various themes.

2.6 KOLON SPORT

Founded in 1973, KOLON SPORT promoted an outdoor lifestyle. We formed a joint venture company in 2017 to operate KOLON SPORT in China, Hong Kong, Macao and Taiwan. During the year, we consolidated existing stores, and gradually increased the proportion of KOLON SPORT outdoor sports products. We are confident that with the rise of China's middle class and the millennial generation, KOLON SPORT will expand its footprint in the outdoor sportswear market, creating further profitability with increasing sustainability.

KOLON SPORT

2.7 KINGKOW

Founded in 1998, KINGKOW is an established kidswear brand targeting the mid-to high-end market. KINGKOW's excellent design and premium quality are enjoyed by kids aged 0 to 14. Our acquisition of KINGKOW in 2017 will not only help us reinforce our presence in the kidswear market, but also strengthen our multi-brand strategy in the market. During the year, we improved KINGKOW's store efficiency and inventory turnover through optimizing the store networks.

3. Distribution Network Management

3.1 Omni-Channel Management

We continue to improve our sales network, expand the brand's influence, and provide suppliers with operational assistance and training, and organized an annual distributor meeting and quarterly trade fairs. We also have a VIP system to enhance our customers' trust and loyalty.

ANTA and ANTA KIDS adopt the wholesale model, allowing distributors to purchase ANTA and ANTA KIDS products at wholesale prices. After establishing a partnership, we ensure that the distributor understands our requirements for operations, social responsibility and employee relations. We provide sufficient resources based on distributors' needs, so that their development can keep up with us.

All distributors must follow the operating terms for sales, expansion goals, sales reports, forecasts, payments and credits. They should also establish standards for retail policy, product pricing, inventory management, store decoration, marketing, customer service and aftersales service based on the "Standard Operation Procedure" and "End-user Event Management Methods". If a distributors' performance does not meet our standards, they must rectify and assess progress until they have reached the required standards. If a distributor fails multiple times, we will stop cooperating with the distributor. We will also conduct a sampling inspection every quarter. We will inspect stores, either by giving them prior notice or staying anonymous, and then complete a report for management's reference.

With reference to distributors' performance, we will provide different training and operational guidance based on a distributor's position and ranking, then assess them based on their actual performance.

Through good raw material supply and our extensive retail networks, we believe that the sustainable development of the company can be achieved. Therefore, we value strong and stable relationships with suppliers and distributors, which help reduce operational risks and enhance the speed of development.

To better monitor actual shipment of each store, we require them to use IT system. The system helps consolidate internal resources, to achieve our goals and plan resource allocation, including procurement, manufacturing, cost, inventory, distribution, transportation, finance and human resources. It allows us to understand changes of consumer preferences in a timely manner and improve the speed of product replenishment.

We believe that the sustainability of our distribution network and the quality of the stores, including their location, size, efficiency and interior decoration etc., are more important than the actual number of stores. Hence, we closed our smaller and less efficient stores, and replaced them with larger and more attractive stores in prime locations, to improve overall performance. As at 31 December 2018, the total number of ANTA stores in China (including ANTA KIDS standalone stores) was 10,057 (end of 2017: 9,467). FILA (including FILA KIDS and FILA FUSION standalone stores) had a total of 1,652 stores in China, Hong Kong, Macao and Singapore (end of 2017: 1,086) and DESCENTE had a total of 117 stores in China (end of 2017: 64).

3.2 Improving Retail Management Capabilities

We concentrate on how to continue to invest the most resources in future product and brand upgrades, to match consumers' increasing demand for high-quality products and sports brands.

The total number of the Group's stores exceeds 10,000. Carbon emissions from the logistics process should not be ignored. In the past, the Group's logistics procedures were scattered. Apart from relying on third-party suppliers to provide logistics services to distributors, distributors also needed to arrange logistics to replenish retail stock. It is difficult to figure out an optimal route to reduce overall delivery distance.

The logistic center has started the initial run in mid-2018. We expect when the logistics center eventually achieve its maturity, the direct delivery to stores can reduce the time needed for transportation and increase the speed of our supply-chain. Also, by obtaining the real-time sales performance of all retail stores, we are able to shorten delivery time and increase flexibility in stock replenishment, making it easier to create a comprehensive plan for the logistics route. This helps avoid overlapping routes among delivery teams and thus improves business performance.

Our brands can reach end-customers through a nationwide retail network. Attractive store designs and a unique shopping experience play an important role in improving retail efficiency and increasing customer traffic. As our stores continue to be refurbished and upgraded, we will provide customers with a more comfortable, tailor-made shopping experience, which will enhance sales and store efficiency. This is why we launched our eighth-generation stores.

3.3 E-Commerce

During the period, in view of the rapidly developing trend of e-commerce, we continued to improve our services to cater the increasing demand in the online market. We offer a wide selection of new products through launching exclusive online products and launching in-season products offline. We also launched online promotions for products in the Marvel and KT series, boosting the sales performance of these products.

Online shopping channels have become increasingly important, so we hope to support our omni-channel and multi-brand strategy with a clear strategy for our e-commerce business. Our e-commerce business offers products from different brands in our Group. It has already become a comprehensive and interactive platform that makes online shopping convenient, ensures reliable delivery and offers quality after-sales services. In addition to the official

online flagship store for each brand, we have collaborated with various e-commerce platforms, including Tmall, JD and Vipshop, among others, to further boost the performance of our e-commerce business.

To integrate the offline stores with the online platforms, we select several offline distributors to operate online stores under our strict guidelines and policies.

We believe corporations should adapt swiftly to cope with changing environments, especially the increasing importance of e-commerce. Our experienced online sales team has helped us attract more online shoppers, and we have used different methods to achieve this goal. For example, we optimized our e-store interface, improved product descriptions and presentation, and enhanced our product search and cataloging functions. We standardized all of our online product launch schedules, priorities and styles, which created synergy and prevented competition between our online and offline retailers.

In addition, we provide comprehensive customer services, including secure payment systems, a well-established supply chain, fast and reliable delivery services, VIP membership and product return guarantees. We believe that positive customer feedback will help us establish a solid brand reputation. Our e-commerce segment is gaining prominence in our business and we will continue to explore further profitable market opportunities.

ANTA'S FOOTWEAR TECHNOLOGY

A-FLASHFOAM

A-FLASHFOAM has both cushioning and rebound functions. FLASHFOAM is a material specifically designed to absorb the downward impact created by running steps. The addition of FLASHFOAM effectively allows wearers to reach a higher speed while reducing the potential for physical injury by softening the landing impact

A-SMART

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

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

SUPER FLEXI™

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

A - TWIST

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

A-WEB3.0

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

SIDE BACKER™

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

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

A-WARM 2.0

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

A-Wearable RB™

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

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

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

A-LIVEFOAM

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

A-LIVEKNIT

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

A-CORE™

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

PRS™

PRS rotate system facilitates greater agility on the feet when spinning

TALOON™

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

A-FORM™

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

A-LIVEZONE

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

A-Helmet

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

AUTO-arch™

AUTO-ARCH enables greater torsion control and improves stability

A-SILO

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

A-FIT

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

DUPONT™ SORONA

Dupont™ Sorona® is an environmentally-friendly material, which is used as a woven upper to better reduce energy consumption and greenhouse gas emissions compared to conventional fibers

A-COOL™

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

CONTROL-5WD

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

A-STICKYRB

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

A-RENO 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-STRATA

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

A-GRIP

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

A-Hardcourt RB™

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

Waterproof 3.0

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


A-LIVEZONE

ANTA'S APPAREL TECHNOLOGY

A-ORGANIC COTTON

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

SORONA

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

A-SEAMLESS

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

A-SILVER ENERGY

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

A-ANTISEPTIC

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

A-COOL

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

A-SMART WINDOW

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

A-STATIC

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

A-FROZEN SKIN

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

A-PROOFRAIN I

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

A-PROOFRAIN II

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

A-PROOFRAIN III

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

A-RAIN BREAKER

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

A-SPORTS SHAPE

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

A-FROZEN SKIN III

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

A-SPORTS ENERGY

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

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

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

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

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

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

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

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

4. Supply Chain Management

As a leading sportswear company in China, we recognize the importance of effective supply chain management. We understand that suppliers and distributors must develop in tandem with us to achieve efficient operations. In addition to implementing a strict partner selection regime, we are also committed to providing assistance to enhance their governance, production and operation standards.

We assess many aspects of our suppliers' businesses, including their credibility, contractual spirit, capital and environmental protection among others, during the consideration process. We evaluate potential suppliers in terms of products, prices and company size, among other criteria, to determine whether they meet our basic requirements. We also ensure that their R&D, production management, corporate social responsibility and quality management systems reach industry standards, including ISO international standards. We have strengthened our supply chain to help us produce differentiated products. We have revised our performance based on an incentive system, to motivate suppliers to improve. Based on minimum requirements in areas including health and safety, anti-discrimination and anti-child labor, we created a metric system that integrates suppliers' performance and results and generates scores and rankings. We encourage those whose performance has continued to improve to apply for international accreditation, and assist them in the process. In the long term, we will reward high-rated suppliers with increased orders and additional resources and allowance.

Apart from maintaining close contact with suppliers, we also hosted several training camps and annual meetings with suppliers, to share our plans and trends within the industry. These initiatives have encouraged suppliers to produce more innovative products.

Supported by high-quality OEMs, our in-house manufacturing facilities have extra capacity to efficiently and flexibly meet unexpected demand in a cost-effective manner. We have also further improved our supply chain to shorten production lead times, allowing us to meet consumer demand in a timely manner. In addition, we fully support our supply chain partners' efforts to enhance quality control and workflow efficiency, and to improve their responsiveness to changing market conditions. We were also able to accurately and efficiently keep track of additional orders, therefore improving the growth prospects of our business.

To solve carbon emission problems, our factories and its OEM factories are responsible for material supply. Environmental responsibility in the Company's value chain is an issue we have been closely monitoring for years. We control our carbon emissions within a certain range, but with the Company's expanding business, we need to work with our supply chain partners to move forward.

We have also strategically combined in-house and outsourced production to better respond to market conditions and changes in consumer preferences. To be more flexible in fulfilling replenishment orders and maintain our cost advantage, we have further optimized the efficiency of our production process. During the period, ANTA's self-produced footwear and apparel accounted for 33.3% and 13.0% of total quantities, respectively (2017: 37.8% and 15.5%).

5. Product Management and R&D

In the past five years, we have not only continuously strengthened its designer team, but also increased its investment ratio in product R&D. Product innovation is our most important investment. Only through relentless product innovation we can achieve sustainable, healthy growth.

We have a science laboratory in Jinjiang, Fujian Province, and design offices around the world, in Xiamen, Jinjiang, Shanghai, the United States, Japan, Korea and Hong Kong. The total number of people involved in R&D in China and overseas exceeds 1,200. During the year, our R&D investment accounted for 5.2% of the cost of sales. We will continue to drive innovation with in-house R&D, launching market-leading products that will meet consumer needs for different sporting products at different times.

6. Quality Control

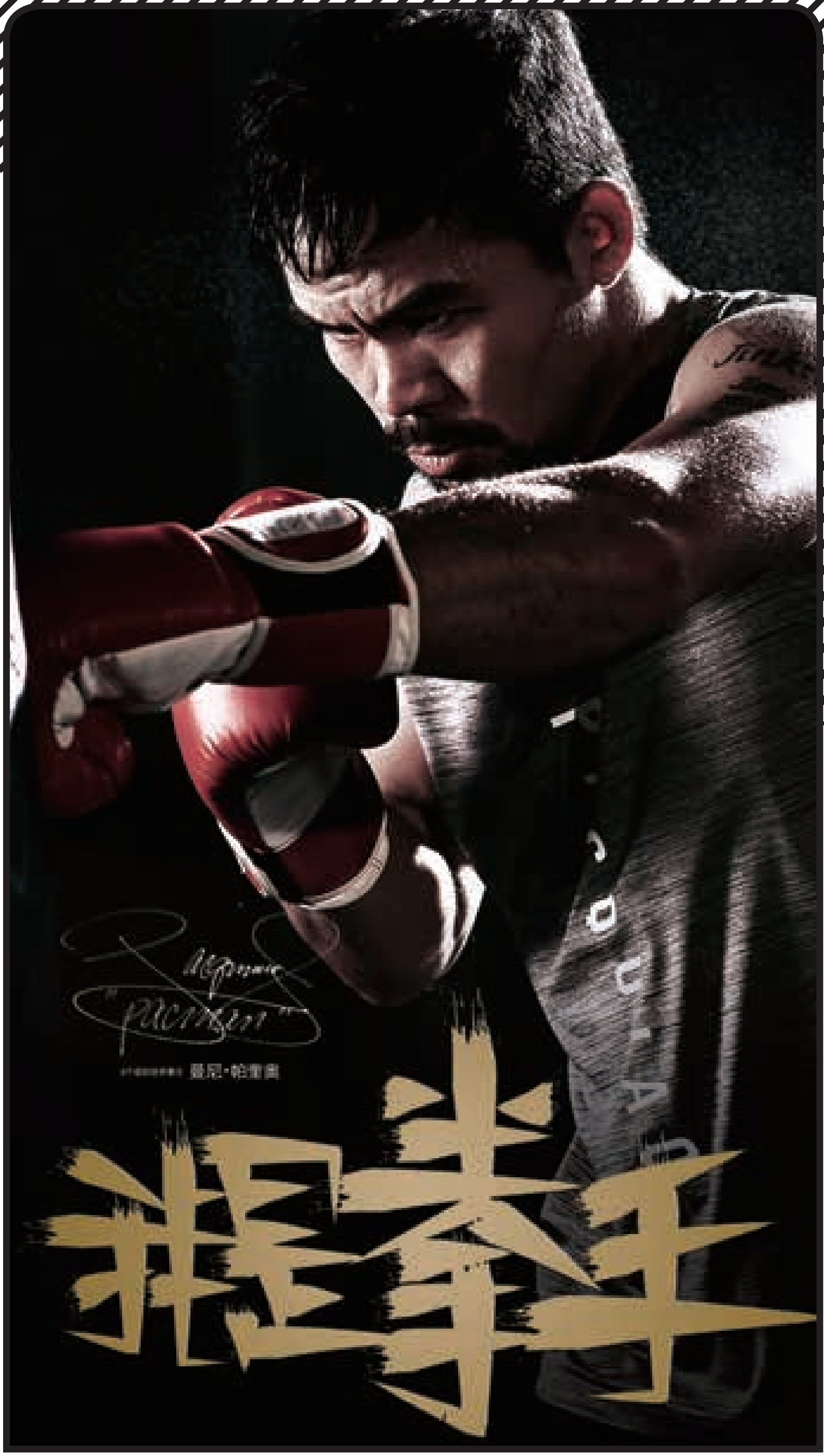
We strictly control the quality of all our products. The quality inspection department conducts a number of safety tests based on our internal product quality inspection standards before sending the products to distributors. If products with quality or safety defects are discovered after shipment, our employees strictly follow the "Product Recall Management System" to recall the defective products and ensure they are handled properly, which significantly reduces the negative impact of selling defective products.

7. Working with Our Employees Hand in Hand

Our success is commensurate with the contribution, dedication and teamwork of our employees. Our business is considered a highly labor-intensive industry. The safety and well-being of our employees is critical to our operational efficiency and corporate image. To ensure that our long-term development is steady and progressive, we promise to fully abide by all relevant laws and regulations to create a safe and friendly working environment.

It is our responsibility to ensure a safe and harmonious working environment for our employees. Through implementing various safety policies and procedures, we are committed to minimizing potential workplace risks and avoiding workplace injuries. We provide suitable protective equipment according to our employees' different job functions. We also arrange relevant safety training to make sure our employees understand the potential risks of their work. The training sessions provide guidelines on how to operate machines properly to avoid accidents. Furthermore, to ensure our employees strictly follow rules and regulations, we not only provide timely safety training, but we also occasionally arrange for supervisors to inspect the front line, making sure our employees' behaviors are aligned with our safety regulations. We provide employees with comprehensive benefits and protections, as well as sophisticated training programs, to offer them appropriate opportunities to unleash their talents and potential.

In terms of equal opportunities, we value the individual preferences of our employees, regardless of their gender, age, religion or race, and we provide opportunities based on their talent and merit. As at 31 December 2018, we had around 25,000 employees (end of 2017: 18,800 employees) in total.



8. Internal Management

8.1 Legal Compliance

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

8.2 Relationship with Stakeholders

Good corporate governance mechanisms help building stable relationships with our suppliers, distributors, franchisees, customers, shareholders and other stakeholders. Through various 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.

8.3 Our Existing Environmental Protection Measures

We understand that the environment has a long lasting impact on our future development. Meanwhile, we have undertook several measures like upgrading facilities and adopting clean energy as well as improving our administrative management. For example, factories are encouraged to utilize energy-saving tube light, while the use of air conditioning is regulated in accordance with 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.

9. Principal Risks and Uncertainties Facing by the Group

9.1 Exchange Rate Risk

While most of our business is denominated in RMB, our overseas business is denominated in foreign currencies, which could create potential problems in terms of foreign exchange payment and receipt issues and affect the relationship between debtors and creditors. Currently, the RMB is a managed floating currency which is adjusted referring to a 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 flows.

9.2 Operational Risks

Risks under Intensified Market Competition

Increasingly tense competition in the sportswear industry is reflected in the expanding scale and continuous concentration of the industry, and the 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 sporting goods and manufacturing industry, the fire prevention is especially important. The glue we use during the production process and semi-finished products are flammable, and a fire would directly and negatively impact our operations.

Risks under Increased Sales Channel Costs

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

Product Development Risks

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

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.

9.3 Management Risk

Supplier Management Risks

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

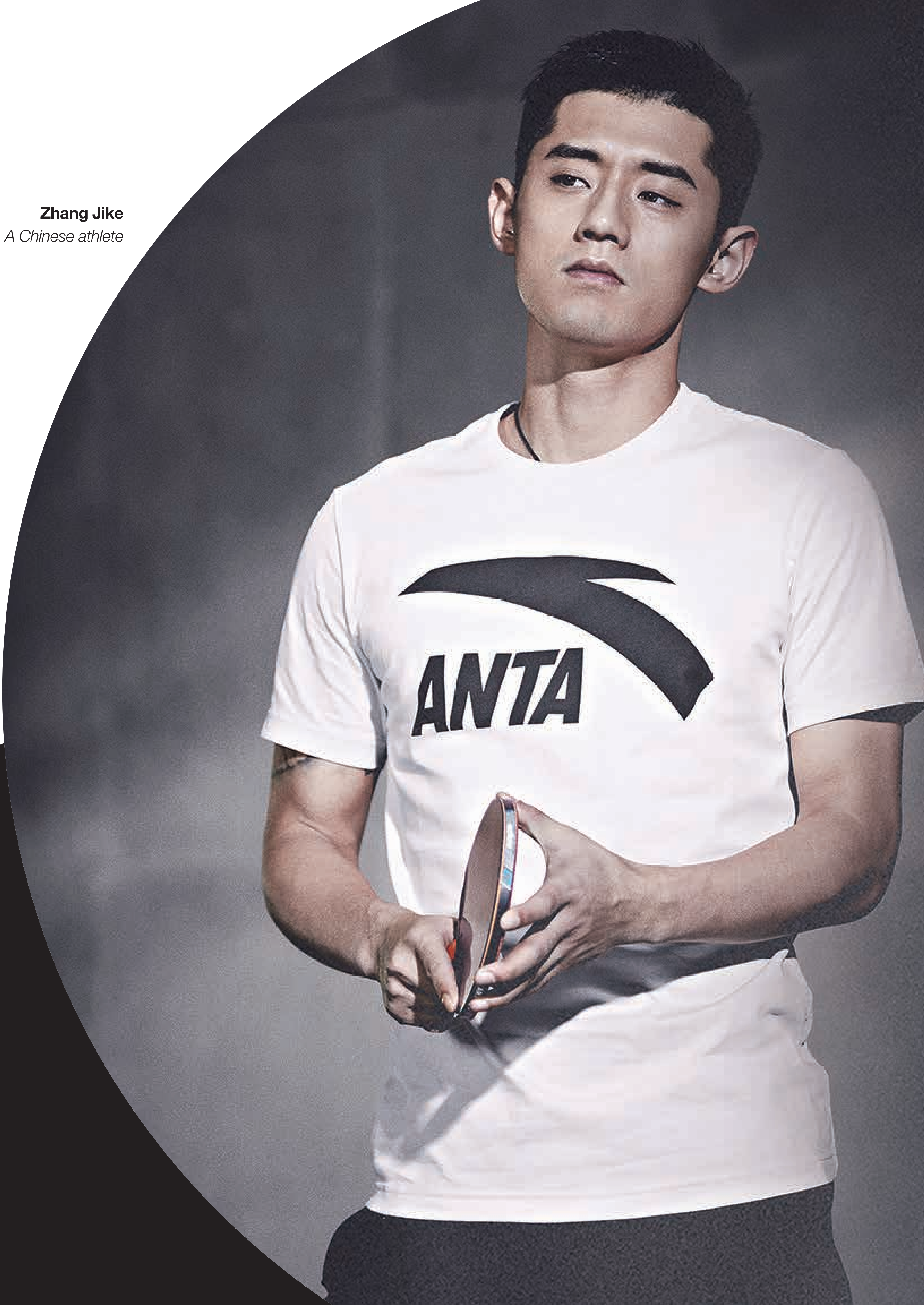
Risks from Talent Shortage and Loss of Talent

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

Risks from Product Transportation Management

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

Zhang Jike
A Chinese athlete



Profit attributable to equity shareholders

+32.9%

to

RMB

4.10

billion

Margin of profit attributable to equity shareholders

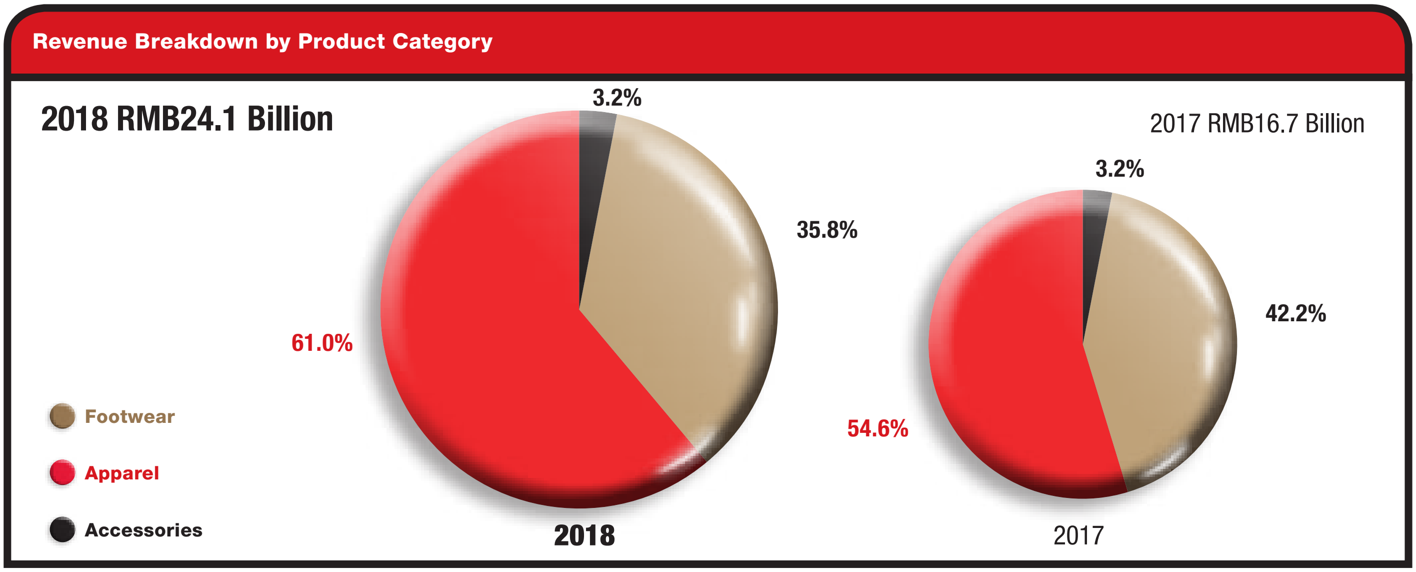
17.0%

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				
	2018		2017		Changes
	(RMB million)	(% of Revenue)	(RMB million)	(% of Revenue)	(%)
Footwear	8,631.4	35.8	7,048.8	42.2	↑ 22.5
Apparel	14,709.2	61.0	9,116.1	54.6	↑ 61.4
Accessories	759.4	3.2	527.6	3.2	↑ 43.9
Overall	24,100.0	100.0	16,692.5	100.0	↑ 44.4



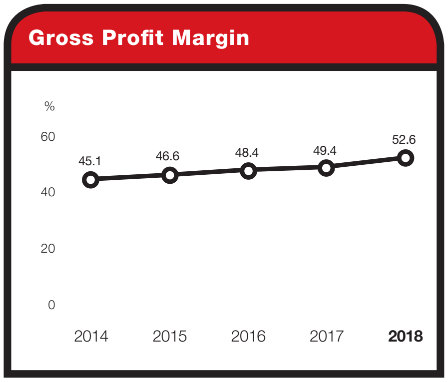
During the financial year, the Group's revenue increased by 44.4% as compared with 2017, mainly driven by strong growth in apparel sales.

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				
	2018		2017		Changes
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	(% point)
Footwear	4,226.1	49.0	3,290.5	46.7	↑ 2.3
Apparel	8,131.1	55.3	4,742.5	52.0	↑ 3.3
Accessories	330.1	43.5	208.1	39.4	↑ 4.1
Overall	12,687.3	52.6	8,241.1	49.4	↑ 3.2

Due to the increased contribution from retail operations, the Group's overall gross profit margin for the financial year increased 3.2% point as compared with 2017.

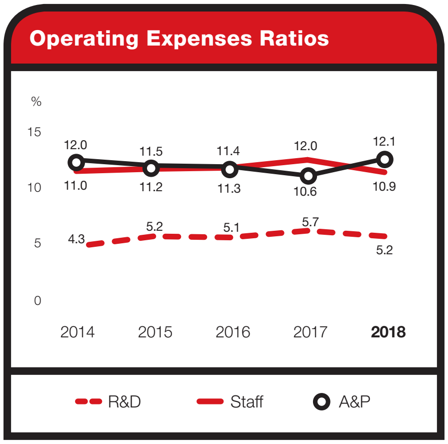


Other Net Income

Other net income for the financial year amounted to RMB760.0 million (2017: RMB457.9 million), which mainly comprised of government grants of RMB741.2 million (2017: RMB439.3 million). The government grants were provided to the Group in recognition of its contribution towards the local economic development.

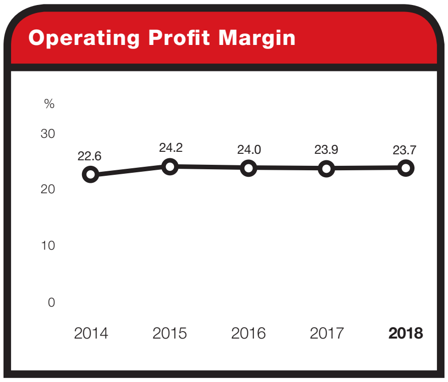
Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue increased by 1.5% point for the financial year mainly due to additional expenditures in relation to COC sponsorship and retail level marketing and promotional activities. The ratio of staff costs to revenue decreased by 1.1% point due to the notable growth in revenue in spite of the increase in absolute amount of staff costs. The ratio of R&D costs to cost of sales decreased by 0.5% point due to the notable growth in cost of sales in spite of the increase in absolute amount of R&D costs. The Group continuously enhances its overall R&D capability.



Operating Profit Margin

Operating profit margin decreased by 0.2% point to 23.7% for the financial year in spite of the 3.2% point increase in gross profit margin. It was mainly due to the increase in selling and distribution expenses.



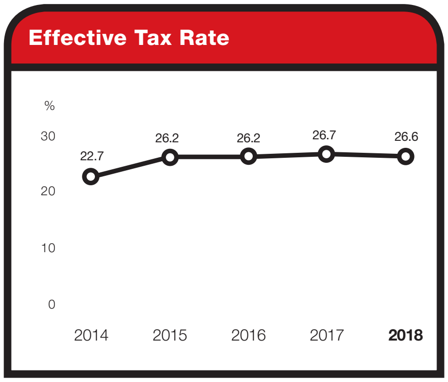
Net Finance Income

Total interest income for the financial year amounted to RMB225.1 million (2017: RMB170.1 million). Such increase was mainly driven by the increase in average amount of bank deposits and bank balances as compared with 2017, and the purchase of held-to-maturity debt securities during the 2nd half of 2017.

Total interest expense amounted to RMB52.0 million (2017: RMB15.5million) for the financial year, in which RMB2.1 million (2017: nil) was capitalised to a property under development. Such increase was mainly driven by the increase in average amount of bank loans during the financial year.

Effective Tax Rate

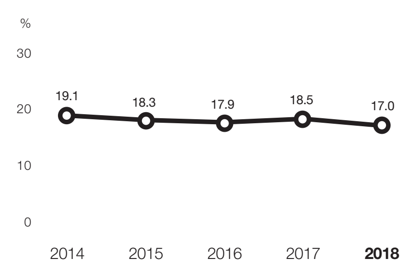
Effective tax rate was 26.6% for the financial year (2017: 26.7%).



Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 1.5% point to 17.0% for the financial year in spite of the 0.2% point decrease in operating profit margin. It was mainly due to the net foreign exchange loss recorded during the financial year while net foreign exchange gain was recorded in 2017.

Margin of Profit Attributable to Equity Shareholders



	2018 (RMB million)	2017 (RMB million)
Year ended 31 December		
Net operating cash inflow	**4,439.7**	3,181.5
Capital expenditures	**(808.2)**	(585.0)
Acquisition of interest in a subsidiary	**(183.9)**	–
Others	**1.3**	65.7
Free cash inflow	**3,448.9**	2,662.2
As at 31 December		
Cash and cash equivalents	**9,283.7**	6,967.6
Fixed deposits held at banks with maturity over three months	**807.8**	2,436.4
Pledged deposits	**1,662.2**	150.0
Bank loans	**(1,313.6)**	(147.9)
Bills payable (financing in nature)	**(469.3)**	–
Net cash position	**9,970.8**	9,406.1

Write-down of Inventories

Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories. During the financial year, reversal of write-down of inventories amounting to RMB7.9 million was credited to profit or loss (2017: write-down of inventories amounting to RMB14.1 million was charged to profit or loss).

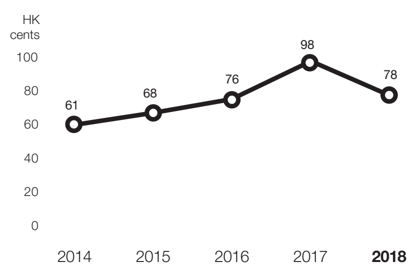
Impairment Loss for Trade Receivables

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses ("ECLs"). ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. During the financial year, impairment loss for trade receivables amounting to RMB24.4 million was charged to profit or loss (2017: RMB19.6 million).

Dividends

The Board has recommended a final dividend of HK28 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK50 cents per ordinary share, representing a payout of RMB1,842.4 million (2017: RMB2,168.2 million), or a distribution of 44.9% (2017: 70.2%) of the current year's profit attributable to equity shareholders.

Total Dividends Per Ordinary Share



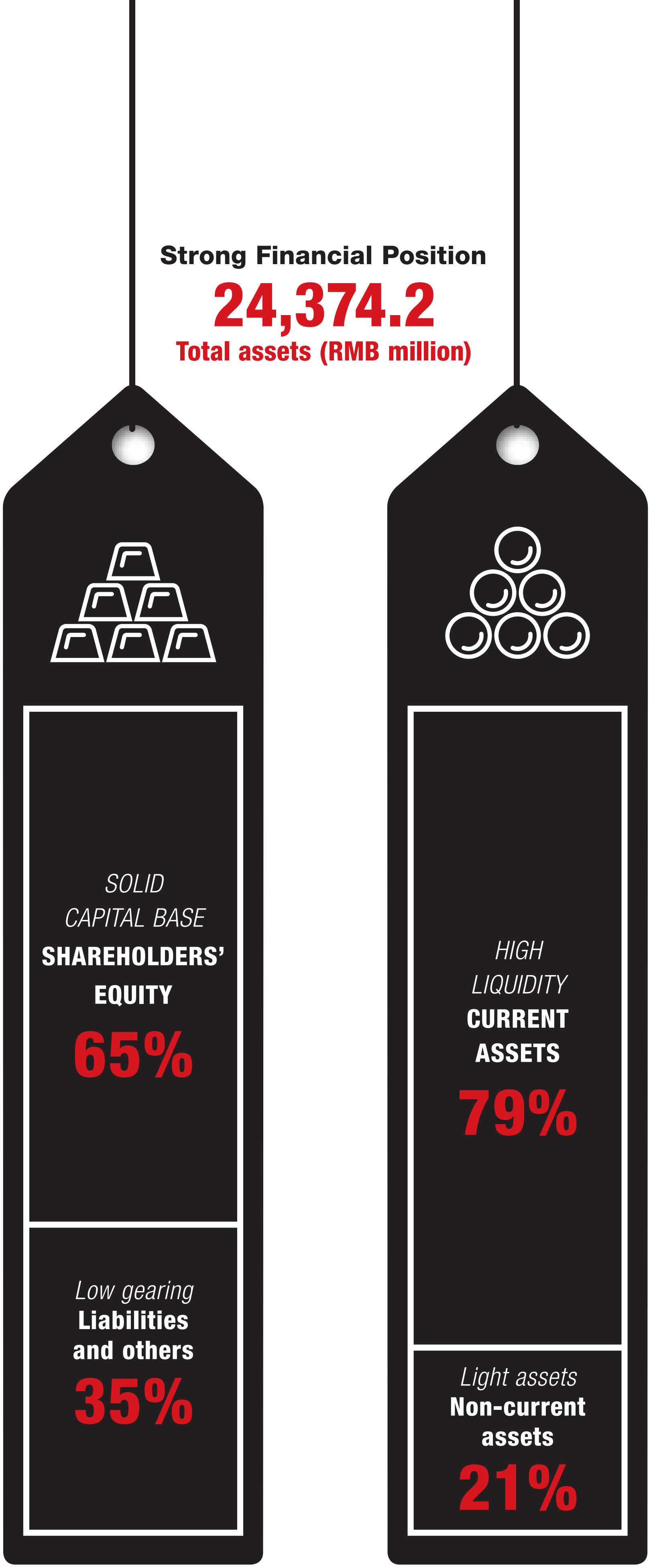
Liquidity and Financial Resources

As at 31 December 2018, the cash and cash equivalents of the Group amounted to RMB9,283.7 million which were mainly denominated in RMB, HKD and USD, representing an increase of RMB2,316.1 million as compared with the cash and cash equivalents of RMB6,967.6 million as at 31 December 2017. This is mainly attributable to:

- Net cash inflow from operating activities amounted to RMB4,439.7 million, which was slightly higher than the profit for the year and represents the strong cash generation capability of the Group.

- Net cash outflow from investing activities amounted to RMB1,201.1 million, mainly including capital expenditures of RMB808.2 million, net uplift of fixed deposits held at banks with maturity over three months of RMB1,628.6 million, net placements of pledged bank deposits of RMB1,512.3 million, payments for purchase of other financial assets of RMB326.7 million and payment for acquisition of a subsidiary of RMB183.9 million.

  Net cash outflow from financing activities amounted to RMB1,136.4 million, mainly including the payments of the final and special dividends in respect of the financial year 2017 and the interim dividend in respect of the financial year 2018 amounting to RMB2,425.1 million, the net drawdown of bank loans amounting to RMB1,008.0 million, the proceeds from bills of exchange amounting to RMB469.3 million and the repayment of other payables (financing in nature) amounting to RMB116.0 million.



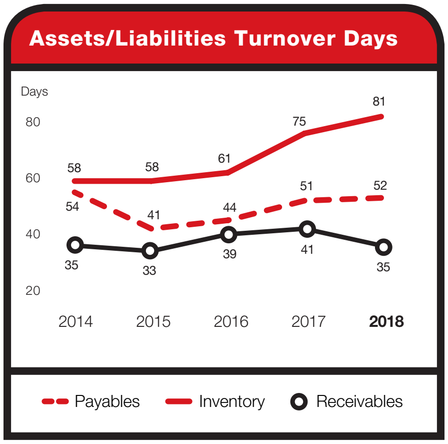
As at 31 December 2018, total assets of the Group amounted to RMB24,374.2 million, of which current assets were RMB19,284.4 million. Total liabilities and non-controlling interests were RMB8,596.9 million and total equity attributable to equity shareholders of the Company amounted to RMB15,777.3 million. The Group's gearing ratio was 7.3% as at 31 December 2018 (as at 31 December 2017: 0.8%), being a ratio of sum of bank loans (as at 31 December 2018: RMB1,313.6 million; as at 31 December 2017: RMB147.9 million) and bills payable (financing in nature) (as at 31 December 2018: RMB469.3 million; as at 31 December 2017: nil) to total assets. The bank loans were denominated in RMB and HKD and measured at amortised cost. 93.0% of bank loans are at fixed rate. Bills payable (financing in nature) were bills of exchange which were denominated at RMB, measured at amortised cost and repayable within one year.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 6 days due to the increased contribution from retail operations. The average trade receivables turnover days and the average trade payables turnover days decreased by 6 days and increased by 1 day respectively. Such turnover ratios remained at relatively normal levels.

Pledge of Assets

As at 31 December 2018, the Group had bank deposits of RMB1,662.2 million (as at 31 December 2017: RMB150.0 million) pledged as security for certain contracts and construction project and escrow arrangement in connection with liquidated damage arrangement under the combination agreement in relation to the Acquisition (as defined below).



As at 31 December 2018, the Group had a property under development and the respective land use right with carrying amount of RMB400.2 million (as at 31 December 2017: nil) pledged as security for certain bank loans.

Commitments and Contingencies

Capital Commitments

During the financial year, certain capital commitments were utilised in the additions to construction in progress, which was mainly related to the Group's new logistic center in the PRC.

As at 31 December 2018, the Group had capital commitments of RMB1,631.3 million, primarily relating to construction of the new logistic center, expansion of retail channels and land use right in respect of a land in Shanghai.

Commitment for Acquisition of Amer Sports and Liquidated Damange Arrangement

Reference is made to the announcement of the Company dated 7 December 2018 in relation to the possible very substantial acquisition to acquire all the issued and outstanding shares of Amer Sports Oyj ("Amer Sports") through tender offer (the "VSA Announcement"). On 7 December 2018, the Company and other investors formed an investor consortium, which will be led by the Company, for purposes of the voluntary recommended public cash tender offer for all the issued and outstanding shares in Amer Sports at a price of EUR40.00 per Amer Sports' share (the "Acquisition"). Mascot JVCo (Cayman) Limited ("JVCo") was incorporated to be the holding company in the acquisition structure and was indirectly wholly owned by the Company as at 31 December 2018. The parties (or procuring their respective affiliates) shall enter into a shareholders' agreement in relation to JVCo, in which the Group and other investors shall invest equity to JVCo. The Group shall invest EUR1,543.0 million (equivalent to RMB12,421.2 million) to the JVCo resulting in having 57.95% shareholding.

On 7 December 2018, the Company and Amer Sports, among others, entered into a combination agreement for the purpose of the Acquisition. Under the combination agreement, Mascot Bidco Oy ("Bidco", wholly owned subsidiary of JVCo) shall pay Amer Sports liquidated damages if the agreement is terminated. The amount of liquidated damages is ranged from EUR20.0 million to EUR175.0

million subject to the specific circumstances leading to termination of the combination agreement. Such liquidated damages will be satisfied out of the funds placed in an escrow account by the Group. In the event that the combination agreement is terminated due to circumstances specified in the agreement and prior to the JVCo becoming jointly controlled by the Company and other investors, such funds placed in the escrow account by the Bidco would remain ultimately the sole contribution of the Company, unless otherwise related to other investors in certain specified circumstances.

Contingencies

The Group has been engaging in litigation with Brooks Sports, Inc. ("Brooks") in the US and in the PRC over certain trademarks of both parties. In the PRC, the Group has obtained judgment against Brooks in the registration of its trademark in March 2018. In the US, a district court rendered a decision on 11 January 2019, indicating that the court would issue a default judgment against the Group. The case is still ongoing and the Group will consider the appropriate next step and options available, including appeals, upon receipt of a final judgement. The Directors do not consider that the aforesaid case, the 11 January 2019 court decision or any resulting default judgment would have a material impact to the financial position and ordinary operation of the Group or any transaction which the Group is executing.

As at 31 December 2018, the Group did not provide any form of guarantee for any company outside the Group. Saved as disclosed above, the Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group continues to manage financial risks in a prudent manner and proactively adopts internationally recognized corporate management standards to safeguard the interests of shareholders. As the functional currency of most non-PRC entities is the Hong Kong dollar and those financial statements are translated into RMB for reporting and consolidation purposes, foreign exchange differences arising from the translation of such financial statements are directly recognized in equity as a separate reserve. 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.

Reference is made to the VSA Announcement. During the financial year, the Group purchased 1,679,936 shares of Amer Sports by RMB326.7 million. As at 31 December 2018, the investment included in other financial assets under the consolidated statement of financial position was measured at fair value of RMB506.6 million.

Saved as the Acquisition and the share purchase transaction mentioned above, during the financial year, the Group made no significant investment or any material acquisition or disposal of subsidiary.

Placing and Top-up Subscription

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

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

Up to 31 December 2018, the Group has not used any net proceeds from the placing and top-up subscription. The Group is committed to seeking business opportunities such as acquisition of, and cooperation with, international sportswear brands. The Company shall use the net proceeds from the placing and top-up subscription (i) to finance (in whole or in part) such business opportunities as and when appropriate opportunities arise, certain of which could be significant; and/or (ii) as general working capital of the Group.

PROSPECTS

In 2019, ANTA Sports will arrive at a new starting point with a different horizon and we will work hard to achieve our new goals.

Despite the uncertain global economic outlook for 2019, coupled with the challenges and uncertainties faced in capital markets, consumer goods, including sportswear, remains the most resilient sector. By leveraging on the multi-brand and omni-channel strategy which has shored up our defensive position in the market, we will continue to weather through any volatile market condition. We remain cautiously optimistic about the prospects for Chinese brands in 2019.

In December, in respect of the Acquisition, ANTA Sports and other investors signed an agreement with Amer Sports Oyi to acquire the entire issued and outstanding shares of Amer Sports at a price of EUR40.00 per share. The transaction is still in progress and is expected to complete in 2019. Amer Sports is one of the world's leading sportswear management company and owns a number of well-known functional brands. In addition to footwear and apparel, Amer sports also provides equipment for winter Sports, ball games and cycling, which ties in to our existing brand positioning. We believe that the addition of Amer Sports will not only make us more international, but also enhance our operational performance as a whole.

Promoting incubation synergy

In the future, ANTA will focus on upgrading its brands, retail operations, management model, organizational system, talent and culture, as it looks to embark on a new decade of entrepreneurship.

We will spare no effort to promote the development of our retail platform to ensure that all brands and each department enjoy a good working synergy. We will continue to implement its "Single-focus, Multi-brand, Omni-channel" strategy, where our multi-brand strategy could satisfy the demands of different types of consumers with differentiated products.

We will also enhance our "incubation" capabilities with regards to new brands by coordinating supply chains, e-commerce platforms, logistics service providers and financing channels to stimulate the development of our brands.

Transform to value retailing

We will also emphasise on value growth, ensuring the quality of growth rather than speed. We will look to achieve this by providing high-quality consumer experiences and services.

It is important to leverage technology to enhance retail efficiency. We will continue to promote its "Value Retailing" strategy, which was launched in November 2018, and will use consumer retail apps to capture big data and examine changes in consumer demand, helping the Group to adjust product design and retail planning accordingly. Products like running series powered by new technology and KT basketball shoes will drive our revenue growth.

In terms of retail channels, we will further increase the proportion of ANTA stores in shopping malls and department stores to optimize our store portfolio, as well as continue to promote growth of our e-commerce channels. We will also continue to enhance the efficiency of our logistics centers while at the same time integrating online and offline channels, in order to leverage logistics services and big data to achieve omni-channel coverage.

Focus on being consumer centric

We are optimistic about the future development of China's sports industry, particularly as China is set to host more sporting events, coupled with Shanghai exploring the feasibility of submitting a bid for the Olympic Games, which would greatly benefit China's sportswear industry in the future. Major sporting events such as the Tokyo 2022 Olympic Games, the Beijing 2022 Olympic Winter Games and the 2022 World Cup Qatar will also be explosive growth catalysts for the sportswear market, providing unprecedented business opportunities over the next four years. As a leader in the sportswear industry, we are ready to seize these opportunities.

By the end of 2019, we expect the total number of ANTA stores (including ANTA KIDS standalone stores) in China to reach 10,100-10,200, and the total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) in China, Hong Kong, Macao and Singapore to reach 1,800-1,900. Meanwhile, DESCENTE will penetrate deeper into first and second tier cities in China, with a focus on opening stores in prime locations and strengthening its market position. It is expected to have 130-140 stores in China by the end of 2019. KINGKOW will have a total of 90-100 stores and SPRANDI will have a total of 140-150 stores by the end of 2019, while KOLON SPORT will have a total of 170-180 stores by the end of 2019.

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

Focusing on Consumer Experience, Strengthening Innovation and Differentiation of Products

Upgrading IT management system and to develop the next core management team

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

Target Number of Stores by End of 2019:

ANTA, ANTA KIDS and ANTAPLUS: 10,100-10,200
FILA, FILA KIDS and FILA FUSION: 1,800-1,900
DESCENTE: 130-140
KOLON SPORT: 170-180
KINGKOW: 90-100
SPRANDI: 140-150

Shortening Delivery Time, Enhancing Replenishment Efficiency and Frequency

Targets for 2020 (Retail Sales CAGR)

Group	15-20%
ANTA	Midteens
FILA, FILA KIDS and FILA FUSION	Over 30%

Chen Kun
A Chinese renowned actor

INVESTOR INFORMATION

Share Information

Listing Day:	10 July 2007
Board lot size:	1,000 shares
Numbers of shares outstanding:	2,684,904,100 shares (As at 31 December 2018)

Stock Codes

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

Dividends

HK cents	2014	2015	2016	2017	2018
Interim dividend	25	30	34	41	50
Final dividend	28	30	34	41	28
Special dividend	8	8	8	16	–

Important Dates

26 February 2019	Annual results announcement
9 April 2019	Annual general meeting
15 April 2019 4:30 p.m.	Record date of 2018 final dividend
On or about 29 April 2019	Payment date of 2018 final dividend
31 December 2019	Financial year end date of 2019

IR Contacts

If you have any inquiries, please contact:

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16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong
Telephone: (852) 2116 1660 Fax: (852) 2116 1590 E-mail: ir@anta.com.hk

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2018.

Principal Place of Business

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

Principal Activities and Business Review

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

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 24 to 65 of the annual report. This discussion forms part of this report of the Directors.

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

Major Customers and Suppliers

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

	2018 Percentage of the Group's total		2017 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**3.0%**		3.4%	
Five largest customers in aggregate	**12.8%**		15.1%	
The largest supplier		**3.5%**		5.3%
Five largest suppliers in aggregate		**15.7%**		19.4%

At no time during the financial year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors own more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 12 and 13 of the annual report.

Financial Statements

The profit of the Group for the year ended 31 December 2018 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 93 to 149 of the annual report.

Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB4,102,855,000 (2017: RMB3,087,843,000) have been transferred to the reserves. Other movements in reserves are set out in note 26 to the financial statements.

Recommended Dividend

An interim dividend of HK50 cents per ordinary share (2017: HK41 cents per ordinary share) was paid on 10 September 2018.

The Directors now recommend the payment of a final dividend of HK28 cents per ordinary share (2017: final dividend of HK41 cents per ordinary share and special dividend of HK16 cents per ordinary share) in respect of the year ended 31 December 2018.

REPORT OF THE DIRECTORS

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB18,515,000 (2017: RMB12,343,000).

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 (Financing in Nature)

Particulars of bank loans and bills payable (financing in nature) of the Group as at 31 December 2018 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

Save for the possible acquisition in relation to Amer Sports Oyj as announced by the Company on 7 December 2018, 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 (re-designation as Non-Executive Director with effect from 1 March 2019)
Mr. Wu Yonghua
Mr. Zheng Jie

Independent Non-Executive Directors

Mr. Yiu Kin Wah Stephen (appointment with effect from 1 June 2018) *(AC, NC, RMC)*
Mr. Lu Hong-Te (resignation with effect from 1 March 2019) *(AC, RC, NC)*
Mr. Dai Zhongchuan *(AC, RC, RMC)*
Mr. Yeung Chi Tat (resignation with effect from 1 June 2018) *(AC, NC, RMC)*
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019) *(AC, RC, NC)*

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

Details of the Directors' biographies have been set out on pages 88 and 89 of the annual report.

In accordance with article 86 and 87 of the Company's articles of association, Mr. Ding Shizhong, Mr. Zheng Jie, Mr. Dai Zhongchuan, Mr. Yiu Kin Wah Stephen and Mr. Mei Ming Zhi 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. Dai Zhongchuan, 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. Dai 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 his 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. Dai 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 2018, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Interests in Shares and underlying Shares and associated corporations

Name of Directors	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of shares interested	Number of underlying Shares interested(2)	Approximate percentage of interest in such corporation(1)
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,659,446,000 (L)(3)	–	61.81%
	Anta International	Founder of a discretionary trust	4,144 (L)(3)	–	34.50%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,651,000,000 (L)(4)	–	61.49%
	Anta International	Founder of a discretionary trust	4,084 (L)(4)	–	34.00%
Mr. Lai Shixian	Anta International	Beneficiary of a discretionary trust/Interest of spouse	1,171 (L)(5)	–	9.75%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141 (L)(6)	–	9.50%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601 (L)(7)	–	5.00%
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	–	0.03%
	Company	Beneficial owner	–	400,000 (L)	0.01%
Mr. Yiu Kin Wah Stephen	Company	Other	20,000 (L)(8)	–	0.00%

(L) — Long Position

Notes:

(1) As at 31 December 2018, the number of outstanding ordinary shares of the Company and of Anta International were 2,684,904,100 and 12,012, 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) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.45% of the issued Shares as at 31 December 2018, and 9,446,000 Shares were directly held by Shine Well (Far East) Limited ("Shine Well"). Shine Well is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Shine Well is held by Top Bright Assets Limited. The entire issued share capital of Top Bright Assets Limited is in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the DSZ Family Trust. The DSZ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shizhong as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSZ Family Trust are Mr. Ding Shizhong and his family members. Mr. Ding Shizhong as founder and one of the beneficiaries of the DSZ Family Trust is deemed to be interested in the Shares held by Anta International and Shine Well and 4,144 shares of Anta International held by Shine Well.

(4) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.45% of the issued Shares as at 31 December 2018, and 1,000,000 Shares were directly held by Talent Trend Investment Limited ("Talent Trend"). Talent Trend is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Talent Trend is held by Allwealth Assets Limited. The entire issued share capital of Allwealth Assets Limited is in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shijia as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSJ Family Trust are Mr. Ding Shijia and his family members. Mr. Ding Shijia as founder and one of the beneficiaries of the DSJ Family Trust is deemed to be interested in the Shares held by Anta International and Talent Trend and 4,084 shares of Anta International held by Talent Trend.

(5) The interests of Mr. Lai Shixian in Anta International were held through Gain Speed Holdings Limited, which directly held 1,171 shares of Anta International, representing 9.75% of the issued share capital of Anta International as at 31 December 2018. The entire issued share capital of Gain Speed Holdings Limited is held by Spring Star Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust is an irrevocable discretionary trust set up by Mr. Lai Shixian's spouse, Ms. Ding Yali, as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DYL Family Trust are Mr. Lai Shixian, Ms. Ding Yali and their family members. Ms. Ding Yali as the founder of the DYL Family Trust is deemed to be interested in the 1,171 shares of Anta International held by Gain Speed Holdings Limited. Mr. Lai Shixian as one of the beneficiaries of the DYL Family Trust and as the spouse of Ms. Ding Yali is deemed to be interested in the 1,171 shares of Anta International held by Gain Speed Holdings Limited.

(6) The interests of Mr. Wang Wenmo in Anta International were held through Fair Billion Development Limited, which directly held 1,141 shares of Anta International, representing 9.50% of the issued share capital of Anta International as at 31 December 2018. The entire issued share capital of Fair Billion Development Limited is held by Asia Bridges Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust is an irrevocable discretionary trust set up by Mr. Wang Wenmo as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WWM Family Trust are Mr. Wang Wenmo and his family members. Mr. Wang Wenmo as the founder and one of the beneficiaries of the WWM Family Trust is deemed to be interested in the 1,141 shares of Anta International held by Fair Billion Development Limited.

(7) The interests of Mr. Wu Yonghua in Anta International were held through Spread Wah International Limited, which directly held 601 shares of Anta International, representing 5.00% of the issued share capital of Anta International as at 31 December 2018. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as the founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.

(8) The interests of Mr. Yiu Kin Wah Stephen were held by his family member as at 31 December 2018. Mr. Yiu Kin Wah Stephen, having a general power of attorney of a family member's securities account, is deemed to be interested in the 20,000 Shares held by his family member.

Save as disclosed above, as at 31 December 2018, 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 2018, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in Shares/underlying Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of interest in the Company
HSBC Trustee	Trustee[(1)]	1,660,510,000 (L)	61.85%
Anta International	Beneficial owner[(2)]	1,373,625,000 (L)	51.16%
	Interest in controlled corporation[(2)]	276,375,000 (L)	10.29%
Allwealth Assets Limited	Interest in controlled corporation[(1)]	1,651,000,000 (L)	61.49%
Shine Well	Interest in controlled corporation[(1)]	1,650,000,000 (L)	61.45%
	Beneficial owner[(1)]	9,446,000 (L)	0.35%
Talent Trend	Interest in controlled corporation[(1)]	1,650,000,000 (L)	61.45%
	Beneficial owner[(1)]	1,000,000 (L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation[(1)]	1,659,446,000 (L)	61.81%
Anda Holdings	Beneficial owner	160,875,000 (L)	5.99%

(L) — Long Position

Notes:

(1) The interests of HSBC Trustee in the Company were held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 51.16%, 5.99%, 4.30%, 0.35% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 64,000 Shares as trustee for persons unrelated to the substantial shareholders.

HSBC Trustee was the trustee of the DSZ Family Trust, the DSJ Family Trust, the WWM Family Trust, the WYH Family Trust, the KYF Family Trust, the DYL Family Trust and the DHM Family Trust, and it held the entire issued share capital of Top Bright Assets Limited and Allwealth Assets Limited, which in turn held the entire issued share capital of Shine Well and Talent Trend, respectively. Each of Shine Well and Talent Trend was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anta International and therefore each of them was deemed to be interested in all the 1,650,000,000 Shares held by Anta International. As at 31 December 2018, Anta International directly held 1,373,625,000 Shares. Anta International held the entire issued share capital of each of Anda Holdings and Anda Investments and therefore was deemed to be interested in 160,875,000 Shares and 115,500,000 Shares directly held by Anda Holdings and Anda Investments, respectively. Accordingly, HSBC Trustee, Top Bright Assets Limited, Allwealth Assets Limited, Shine Well and Talent Trend were indirectly interested in the 1,650,000,000 Shares held through Anta International. 9,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright Assets Limited were also deemed to be interested in the 9,446,000 Shares held by Shine Well. 1,000,000 Shares were held by Talent Trend directly. Accordingly, HSBC Trustee and Allwealth Assets Limited were also deemed to be interested in the 1,000,000 Shares held by Talent Trend.

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

Save as disclosed above, as at 31 December 2018, 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 and 20 December 2018.

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) 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 RMB82,634,000.

On 20 December 2018, the agreement was renewed for a term of 3 years. Please refer to the announcements of the Company issued on 20 December 2018.

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

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

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

On 20 December 2018, the agreement was renewed for a term of 3 years. Please refer to the announcements of the Company issued on 20 December 2018.

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

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

(2) on normal commercial terms or better; and

(3) according to the agreements governing them on terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed 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 which is required to be disclosed under Rule 8.10(2) of the Listing Rules.

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

Retirement Schemes

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

Share Award Scheme

The Group adopted the share award scheme (the "Share Award Scheme") on 19 October 2018. The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Please refer to the announcement of the Company issued on 19 October 2018 for details. As at 31 December 2018, the trustee of the Share Award Scheme held a total of nil shares and nil shares were granted under the Share Award Scheme.

Share Option Schemes

Share Option Scheme I

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

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

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

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

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

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

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

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

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

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

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

(a) the nominal value of a Share;

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

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme I and any other schemes of our Group shall not in aggregate exceed 10% of the issued shares of the Company as at the Listing Date (i.e. 240,000,000 Shares). Also, the maximum number of Shares that may be granted under the Share Option Scheme I and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12 month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

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

As at 31 December 2018, the total number of Shares which may be issued upon the exercise of all outstanding options granted under the Share Option Scheme I is 3,782,900, representing 0.14% of the issued Shares.

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

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

	Number of options									
Name or category of participant	As at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2018	Exercise price per Share	Date of grant	Vesting period	Exercise period
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	3,718,400	–	(335,500)[1]	–	–	3,382,900	HK$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	3,718,400	–	(335,500)	–	–	3,382,900				
Total	4,118,400	–	(335,500)	–	–	3,782,900				

Note:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$43.32.

Share Option Scheme II

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

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

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

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

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

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

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

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

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

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

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

(a) the nominal value of a Share;

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

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

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme II and any other schemes of the Group shall not in aggregate exceed 10% of the issued shares of the Company as at the adoption date of the scheme (i.e. 267,753,910). The Company may at any time as the Board may think fit seek approval from its Shareholders in general meeting to refresh the limit in accordance with the terms of Shares Option Scheme II. Also, the maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme II and other share option schemes shall not exceed 30% of the number of issued shares of the Company from time to time. Unless approved by the Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of shares issued and to be issued to that grantee on exercise of his options during any 12 month period exceeding 1% of the total shares of the Company (or its subsidiary) then in issue.

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

No options were granted, exercised, lapsed or cancelled under the Share Option Scheme II during the financial year. As at 31 December 2018, there were no outstanding options under the Share Option Scheme II.

Corporate Governance

For the year ended 31 December 2018, save as disclosed in the Corporate Governance Report on pages 78 to 87 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 2018 and at any time up to the latest practicable date.

Auditor

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

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 26 February 2019

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.

Save as disclosed below, the Company has 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 (re-designation as Non-Executive Director with effect from 1 March 2019)
Mr. Wu Yonghua
Mr. Zheng Jie

Independent Non-Executive Directors

Mr. Yiu Kin Wah Stephen (appointment with effect from 1 June 2018)
Mr. Lu Hong-Te (resignation with effect from 1 March 2019)
Mr. Dai Zhongchuan
Mr. Yeung Chi Tat (resignation with effect from 1 June 2018)
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019)

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

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

Compliance with the Model Code for Directors' Securities Transactions

The Company has 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 management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 6 Executive Directors and 3 Independent Non-Executive Directors and therefore has a strong independence element in its composition.

Appointments, Re-election and Removal of Directors

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

Independent Non-Executive Directors

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

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

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

Nomination Policy

The Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. When the Nomination Committee considers it appropriate, it invites nominations of candidates from Board members or any person and makes recommendations for the Board's consideration and approval.

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

(a) reputation for integrity;

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

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

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

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

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

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

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

Board Diversity Policy

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

Training and Support for Directors

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

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

	Types of Training
Executive Directors	
Mr. Ding Shizhong	A, B
Mr. Ding Shijia	A, B
Mr. Lai Shixian	A, B
Mr. Wang Wenmo (re-designation as Non-Executive Director with effect from 1 March 2019)	B
Mr. Wu Yonghua	A, B
Mr. Zheng Jie	A, B
Independent Non-Executive Directors	
Mr. Yiu Kin Wah Stephen (appointment with effect from 1 June 2018)	A, B
Mr. Lu Hong-Te (resignation with effect from 1 March 2019)	A, B
Mr. Dai Zhongchuan	A, B
Mr. Yeung Chi Tat (resignation with effect from 1 June 2018)	A, B
Mr. Mei Ming Zhi (appointment with effect from 1 March 2019)	N/A

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

Board Committees

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

Audit Committee

The Audit Committee is responsible for ensuring the establishment and compliance with the internal control system of the Company, the compliance with the applicable accounting principles and practices, any applicable laws and the listing rules of the stock exchange on which the shares of the Company are listed, and liaison among shareholders, management, certified independent auditor and internal auditor of the Group, etc. The Audit Committee meets regularly with the Company's external auditor to discuss the audit process and accounting issues (and in the absence of management if appropriate). The terms of reference of the Audit Committee are in line with the code provisions of the Code. Currently, members of the Audit Committee comprise Mr. Yiu Kin Wah Stephen (chairman), Mr. 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 2017 and the interim results of the Group for the 6 months ended 30 June 2018 as well as the reports prepared by the external auditor relating to 2018 annual audit and interim review plans and major findings in the course of audit/review. In addition, the Audit Committee reviewed the Company's compliance with the Code and the regulatory and statutory requirements, and the disclosure in Corporate Governance Report.

Remuneration Committee

The Company has adopted the model whereby the Remuneration Committee determines with delegation from the Board, the remuneration packages of individual Executive Directors and senior management. The Remuneration Committee is also responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all directors of the Company and senior management of the Group and other matters relating to remuneration. The remuneration of all Directors is subject to regular monitoring by the Remuneration Committee to ensure that their remuneration and compensation are reasonable. The terms of reference of the Remuneration Committee are in line with the code provisions of the Code. Currently, members of the Remuneration Committee comprise Mr. 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 2017 and recommended the remuneration packages of Mr. Yiu Kin Wah Stephen to the Board as an Independent Non-Executive Director.

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. Please refer to the section headed "Nomination Policy" above for details.

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

During the financial year, the Nomination Committee reviewed the structure, size and diversity of the Board, reviewed the existing 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, recommended the appointment as Independent Non-Executive Director of Mr. Yiu Kin Wah Stephen to the Board for the approval, and recommended new director nomination policy to the Board for approval.

Risk Management Committee

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

During the financial year, the Risk Management Committee reviewed and approved the internal audit reports and the annual audit plan provided by the internal audit team mentioned below, and considered that the Group's internal audit function is effective. The Risk Management Committee also assessed the risks of certain transactions before further approved by the Board. The annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2018 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 2018	7	2	1	1	4
Executive Directors					
Mr. Ding Shizhong	5	N/A	1	N/A	N/A
Mr. Ding Shijia	5	N/A	N/A	N/A	N/A
Mr. Lai Shixian	5	N/A	N/A	1	4
Mr. Wang Wenmo	5	N/A	N/A	N/A	N/A
Mr. Wu Yonghua	7	N/A	N/A	N/A	N/A
Mr. Zheng Jie	7	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Yiu Kin Wah Stephen (appointment with effect from 1 June 2018)	5	1	N/A	N/A	2
Mr. Lu Hong-Te	7	2	1	1	N/A
Mr. Dai Zhongchuan	7	2	1	N/A	4
Mr. Yeung Chi Tat (resignation with effect from 1 June 2018)	2	1	N/A	1	2

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

Conflict of Interest

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

Company Secretary

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

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

(B) Financial Reporting

Financial Reporting

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

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

External Auditor's Remuneration

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

During the financial year, the fee payable to KPMG in respect of its audit services provided to the Group was RMB7,203,000 (2017: RMB6,450,000). Fees for non-audit services for the financial year comprise service charges for the following:

	2018 **RMB'000**	2017 RMB'000
Review of interim results	**980**	930
Tax advisory (service rendered by KPMG Advisory (China) Limited)	**250**	900
Risk management and Internal control review (service rendered by KPMG Advisory (China) Limited)	**600**	600
ESG reporting advisory (service rendered by KPMG Huazhen LLP)	**410**	390
Due diligence and tax planning advisory service for a proposed acquisition (service rendered by KPMG Tax Limited)	**3,217**	–
Assurance services for a proposed acquisition	**900**	–
Other non-audit services	**439**	185
Total	**6,796**	3,005

(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 2018.

Main features of the risk management and internal control systems

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

Board

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

Risk Management Committee

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

Management

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

Internal Audit Team

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

Process Used to Identify, Evaluate and Manage Significant Risks

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

Risk Identification

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

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and

- Considers the impact on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and

- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;

- Revises the risk management strategies and internal control processes in case of any significant change of situation; and

- Reports the results of risk monitoring to the management and the Board regularly.

The Group has engaged KPMG Advisory (China) Limited as its risk management and internal control review adviser to assist the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2018. 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 considers that the risk management and internal control systems are effective and adequate.

Internal Audit Function

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

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

Whistleblowing Policy

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

Information Disclosure Policy

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

- Designated reporting channels from different operations informing any potential inside information to designated departments;

- Designated persons and departments to determine further escalation and disclosure as required; and

- Designated persons authorised to act as spokespersons and respond to external enquiries.

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

Enquiries to the Board

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

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

Annual General Meeting

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

The 2018 AGM was held on 10 April 2018. The attendance record of the Directors at the AGM is set out below:

	AGM
Executive Directors	
Mr. Ding Shizhong *(Chairman)*	1
Mr. Ding Shijia	1
Mr. Lai Shixian	1
Mr. Wang Wenmo	1
Mr. Wu Yonghua	1
Mr. Zheng Jie	1
Independent Non-Executive Directors	
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.

Dividend Policy

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

Constitutional Documents

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

Investor Relations

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

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 26 February 2019

DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Executive Directors

Mr. Ding Shizhong (丁世忠), aged 48, 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 is the co-founder of the Group 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
2006	Top Ten Outstanding Young Persons in China
2008	Ernst & Young Entrepreneur of the Year – China
2014	Outstanding Contributor to the Building of Socialism with Chinese Characteristics
2014	2014 Chinese Business Leaders Annual Award
2018	Top 40 Most Influential Entrepreneurs of Fujian in 40 years of the Chinese Economic Reform
2018	2018 China Top Ten Economic Person of the Year

He is holding the following public offices:

Year	Public Offices
2008	National People's Congress deputy
2010	Deputy chairman of China Sporting Goods Federation
2012	Vice president of Samaranch Foundation
2018	Advisor of the Chinese Basketball Association
2018	Member of the Chinese Olympic Committee

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, a substantial shareholder of the Company.

Mr. Ding Shijia (丁世家), aged 54, 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 is the co-founder of the Group and has over 20 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. From December 2011 to December 2016, Mr. Ding was Jinjiang City People's Congress standing committee member. Mr. Ding is the elder brother of Mr. Ding Shizhong, 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, a substantial shareholder of the Company.

Mr. Lai Shixian (賴世賢), aged 44, is the Executive Director and Chief Financial Officer of the Company. He is primarily responsible for the administrative and financial management of the Group. He joined the Group in March 2003 and has over 15 years of experience in administrative management. Mr. Lai holds an EMBA degree from China Europe International Business School. From 2011 to 2017, Mr. Lai was a member of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Lai has been a standing committee member of the 12th Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference, the vice president of Fujian Federation of Industry and Commerce (General Chamber of Commerce) and the vice chairman of Quanzhou City of Industry and Commerce (General Chamber of Commerce). Mr. Lai is the brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors. He is also a director of Anta International, a substantial shareholder of the Company. Mr. Lai is an independent non-executive director of China Lilang Limited (stock code: 1234), a company listed on the Hong Kong Stock Exchange.

Mr. Wang Wenmo (王文默), aged 62, is the Executive Director of the Company and will be re-designated as Non-Executive Director of the Company with effect from 1 March 2019. 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 48, 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 15 years of experience in sales and marketing in China.

Mr. Zheng Jie (鄭捷), aged 51, 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 15 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. Yiu Kin Wah Stephen (姚建華), aged 58, is the Independent Non-Executive Director of the Company and joined the Board in June 2018. He received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a master's degree in business administration from the University of Warwick in the United Kingdom. Mr. Yiu is a fellow member of the Association of Chartered Certified Accountants, a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of England and Wales. He is currently a non-executive director of the Insurance Authority, a member of the Exchange Fund Advisory Committee, a member of the Independent Commission Against Corruption Complaints Committee and a council member of The Hong Kong University of Science and Technology. Mr. Yiu is an independent non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: 388) and China Mobile Limited (stock code: 941), both of which are listed on the Stock Exchange. Mr. Yiu joined the global accounting firm KPMG in Hong Kong in 1983 and was seconded to KPMG in London, the United Kingdom from 1987 to 1989. Mr. Yiu became a partner of KPMG in 1994, served as the partner in charge of audit of KPMG from 2007 to 2010, and served as the chairman and chief executive officer of KPMG China and Hong Kong as well as a member of the executive committee and the board of KPMG International and KPMG Asia Pacific from April 2011 to March 2015. Mr. Yiu formerly also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Lu Hong-Te (呂鴻德), aged 58, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. The resignation as Independent Non-Executive Director will be effective from 1 March 2019. 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), China SCE Property Holdings Limited (stock code: 1966) and Cosmo Lady (China) Holdings Company Limited (stock code: 2298), 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. Dai Zhongchuan (戴仲川), aged 53, is the Independent Non-Executive Director of the Company and joined the Board in April 2009. He holds a bachelor's degree and a master's degree in economics from the Xiamen University. He is currently a deputy officer of rule of country law research center of Huaqiao University. Mr. Dai has over 20 years of working experience in legal research and holds various posts in public services in legal and judiciary area, including a standing committee member of the Fujian Provincial People's Congress, an arbitrator of Quanzhou Municipal Arbitration Commission and a standing committee member of National Committee of the Chinese People's Political Consultative Conference of Quanzhou. Mr. Dai 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.

Mr. Mei Ming Zhi (梅志明), aged 46, and the appointment as Independent Non-Executive Director will be effective from 1 March 2019. He received his Bachelor of Science in Finance from Indiana University School of Business in 1996, and holds a master's degree in business administration from the Kellogg School of Management at Northwestern University in the United States and the School of Business and Management at the Hong Kong University of Science and Technology. Mr. Mei is currently co-founder and chief executive officer of GLP Pte. Ltd. (formerly known as Global Logistic Properties Limited). Mr. Mei is a non-executive independent director of Pacific Alliance China Land Limited (stock code: PACL.L), which is listed on London Stock Exchange. He was a director of Global Logistic Properties Limited, which has already been delisted from Singapore Stock Exchange, from September 2010 to January 2018; and was a director of Shenzhen Chiwan Petroleum Supply Base Co., Ltd., which has already been delisted from Shenzhen Stock Exchange, from April 2011 to June 2016.

Company Secretary

Mr. Tse Kin Chung (謝建聰), aged 38, is the Company Secretary of the Company. He has over 15 years of experience in the field of auditing and financial management. He joined the Company in 2007 and is currently the financial controller of the Company, responsible for financial management, risk management, internal control and compliance matters. He obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management

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

Only Executive Directors, Chief Executive Officer and Chief Financial Officer 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 93 to 149, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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 97 and the accounting policies (U)(i) on page 141.

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

We identified recognition of revenue from sales to distributors as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulation of the timing of recognition of revenue by management to meet specific targets or expectations.	• identifying significant credit notes issued and sales returns from the sales ledger after the year end and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the correct accounting period in accordance with the requirements of the prevailing accounting standards; • obtaining external confirmations of the value of sales transactions for the year ended 31 December 2018 and outstanding trade receivable balances as at that date directly from distributors, on a sample basis; • inspecting significant manual adjustments to revenue raised during the reporting period, enquiring of management about the reasons for such adjustments and comparing the details of the adjustments with relevant underlying documentation.

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

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

KPMG

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

26 February 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
Revenue	1	**24,100,039**	16,692,492
Cost of sales		**(11,412,761)**	(8,451,345)
Gross profit		**12,687,278**	8,241,147
Other net income	2	**760,021**	457,883
Selling and distribution expenses		**(6,524,920)**	(3,809,311)
Administrative expenses		**(1,222,594)**	(901,000)
Profit from operations		**5,699,785**	3,988,719
Net finance income	3	**67,560**	321,839
Profit before taxation	4	**5,767,345**	4,310,558
Taxation	5	**(1,533,153)**	(1,151,666)
PROFIT FOR THE YEAR		**4,234,192**	3,158,892
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 the PRC		**213,859**	(462,891)
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)		**174,768**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,622,819**	2,696,001
PROFIT ATTRIBUTABLE TO:			
Equity shareholders of the Company		**4,102,855**	3,087,843
Non-controlling interests		**131,337**	71,049
PROFIT FOR THE YEAR		**4,234,192**	3,158,892
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of the Company		**4,491,482**	2,624,952
Non-controlling interests		**131,337**	71,049
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4,622,819**	2,696,001
		RMB cents	RMB cents
Earnings per share	8		
– Basic		**152.82**	117.01
– Diluted		**152.69**	116.84

The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 33.

The notes, significant accounting policies and principal subsidiaries on pages 97 to 149 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	10	**1,787,330**	1,203,104
Construction in progress	11	**749,030**	705,539
Lease prepayments	12(a)	**420,697**	430,723
Prepayments for acquisition of land use rights	12(b)	**325,878**	15,878
Prepayments for acquisition of other non-current assets	12(c)	**40,940**	89,534
Intangible assets	13	**685,449**	705,332
Other financial assets	15	**677,689**	151,967
Deferred tax assets	24(b)	**402,834**	330,198
Total non-current assets		**5,089,847**	3,632,275
Current assets			
Inventories	16	**2,892,486**	2,155,262
Trade receivables	17	**2,504,898**	2,088,740
Other receivables	17	**2,133,302**	1,643,978
Pledged deposits	18	**1,662,240**	149,957
Fixed deposits held at banks with maturity over three months	19	**807,778**	2,436,415
Cash and cash equivalents	19	**9,283,676**	6,967,589
Total current assets		**19,284,380**	15,441,941
Total assets		**24,374,227**	19,074,216
Current liabilities			
Bank loans	20	**1,243,559**	147,911
Trade payables	21	**1,792,253**	1,446,651
Bills payable and other payables	21	**3,840,976**	2,531,020
Amounts due to related parties	30(b)	**21,199**	19,464
Current taxation	24(a)	**649,886**	353,306
Total current liabilities		**7,547,873**	4,498,352
Net current assets		**11,736,507**	10,943,589
Total assets less current liabilities		**16,826,354**	14,575,864
Non-current liabilities			
Bank loans	20	**70,000**	–
Deferred tax liabilities	24(b)	**236,493**	215,330
Total non-current liabilities		**306,493**	215,330
Total liabilities		**7,854,366**	4,713,682
Net assets		**16,519,861**	14,360,534
Equity			
Share capital	25	**259,038**	259,010
Reserves	26	**15,518,292**	13,447,395
Total equity attributable to equity shareholders of the Company		**15,777,330**	13,706,405
Non-controlling interests		**742,531**	654,129
Total liabilities and equity		**24,374,227**	19,074,216

The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 33.

The notes, significant accounting policies and principal subsidiaries on pages 97 to 149 form part of these financial statements.

Ding Shizhong
Chairman, Executive Director and Chief Executive Officer

Lai Shixian
Executive Director and Chief Financial Officer

Hong Kong, 26 February 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018 (Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company				
		Share capital RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balances as at 1 January 2017		242,698	9,305,930	9,548,628	347,703	9,896,331
Changes in equity for 2017:						
Profit for the year		–	3,087,843	3,087,843	71,049	3,158,892
Other comprehensive income for the year		–	(462,891)	(462,891)	–	(462,891)
Total comprehensive income for the year		–	2,624,952	2,624,952	71,049	2,696,001
Dividends approved in respect of the previous year	27(b)	–	(1,006,774)	(1,006,774)	–	(1,006,774)
Dividends declared in respect of the current year	27(a)	–	(929,990)	(929,990)	–	(929,990)
Shares issued pursuant to share option schemes	25	632	40,297	40,929	–	40,929
Share issued under placing and top-up subscription	25	15,680	3,378,386	3,394,066	–	3,394,066
Capital contribution-in-kind by non-controlling interests of a subsidiary		–	–	–	268,272	268,272
Derecognition of long-term payable to non-controlling interests	26(b)	–	34,594	34,594	6,105	40,699
Dividends to non-controlling interests of subsidiaries		–	–	–	(39,000)	(39,000)
Balances as at 31 December 2017 and 1 January 2018		**259,010**	**13,447,395**	**13,706,405**	**654,129**	**14,360,534**
Changes in equity for 2018:						
Profit for the year		**–**	**4,102,855**	**4,102,855**	**131,337**	**4,234,192**
Other comprehensive income for the year		**–**	**388,627**	**388,627**	**–**	**388,627**
Total comprehensive income for the year		**–**	**4,491,482**	**4,491,482**	**131,337**	**4,622,819**
Dividends approved in respect of the previous year	27(b)	**–**	**(1,238,208)**	**(1,238,208)**	**–**	**(1,238,208)**
Dividends declared in respect of the current year	27(a)	**–**	**(1,186,850)**	**(1,186,850)**	**–**	**(1,186,850)**
Forfeiture of unclaimed dividends		**–**	**55**	**55**	**–**	**55**
Shares issued pursuant to share option schemes	25	**28**	**4,418**	**4,446**	**–**	**4,446**
Dividends to non-controlling interests of subsidiaries		**–**	**–**	**–**	**(42,935)**	**(42,935)**
Balances as at 31 December 2018		**259,038**	**15,518,292**	**15,777,330**	**742,531**	**16,519,861**

The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 33.

The notes, significant accounting policies and principal subsidiaries on pages 97 to 149 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018 (Expressed in Renminbi)

	Note	2018 RMB'000	2017 RMB'000
Operating activities			
Profit before taxation		**5,767,345**	4,310,558
Adjustments for:			
– Depreciation	10	**291,303**	207,929
– Amortisation of lease prepayments	12(a)	**10,026**	8,532
– Amortisation of intangible assets	13	**40,880**	33,816
– Interest expenses	3	**49,930**	15,539
– Interest income	3	**(225,125)**	(170,132)
– Net loss/(gain) on disposal of non-current assets	2	**7,237**	(18,541)
– Impairment loss of trade receivables	4(c)	**24,447**	19,592
– (Reversal of write-down)/write-down of inventories	16(b)	**(7,881)**	14,092
Changes in working capital			
– Increase in inventories		**(729,343)**	(725,360)
– Increase in trade receivables and other receivables		**(899,280)**	(1,045,920)
– Increase in trade payables, bills payable and other payables		**1,182,632**	1,378,704
– Increase in amounts due to related parties		**1,735**	11,965
Cash generated from operations		**5,513,906**	4,040,774
Income tax paid		**(1,288,046)**	(1,013,109)
Interest received		**213,850**	153,799
Net cash generated from operating activities		**4,439,710**	3,181,464
Investing activities			
Payments for purchase of property, plant and equipment		**(182,066)**	(63,547)
Payments for construction in progress		**(280,310)**	(483,333)
(Payments)/refund of prepayments for acquisition of land use rights		**(310,000)**	12,455
Payments for purchase of intangible assets		**(35,864)**	(38,149)
Payments for acquisition of a subsidiary, net of cash acquired	31	**(183,877)**	–
Payments for purchase of other financial assets		**(326,670)**	(102,816)
Placements of pledged deposits		**(1,514,083)**	(101)
Uplift of pledged deposits		**1,800**	44,720
Placements of fixed deposits held at banks with maturity over three months		**(3,646,670)**	(5,505,624)
Uplift of fixed deposits held at banks with maturity over three months		**5,275,307**	4,561,614
Other cash flows derived from investing activities		**1,333**	(3,735)
Net cash used in investing activities		**(1,201,100)**	(1,578,516)
Financing activities			
Drawdown of new bank loans	19(b)	**1,165,428**	147,911
Repayments of bank loans	19(b)	**(157,429)**	(975,195)
Payments of interest expense on bank loans		**(15,442)**	(30,690)
Payment for long-term payable to non-controlling interests	19(b)	**–**	(3,684)
Repayment of other payables (financing in nature)	19(b)	**(116,000)**	–
Proceeds from/(repayment of) bills of exchange	19(b)	**469,346**	(600,000)
Net proceeds from shares issued under placing and top-up subscription	25	**–**	3,394,066
Proceeds from shares issued pursuant to share option schemes	25	**4,446**	40,929
Dividends paid to equity shareholders of the Company	27	**(2,425,058)**	(1,936,764)
Dividends paid to non-controlling interests of subsidiaries		**(42,935)**	(39,000)
Other cash flows derived from financing activities		**(18,738)**	–
Net cash used in financing activities		**(1,136,382)**	(2,427)
Net increase in cash and cash equivalents		**2,102,228**	1,600,521
Cash and cash equivalents as at 1 January		**6,967,589**	5,829,959
Effect of foreign exchange rate changes		**213,859**	(462,891)
Cash and cash equivalents as at 31 December	19(a)	**9,283,676**	6,967,589

The Group has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 33.

The notes, significant accounting policies and principal subsidiaries on pages 97 to 149 form part of these financial statements.

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. Disaggregation of revenue from contracts with customers by product categories is as follows:

	2018 RMB'000	2017 RMB'000
Footwear	**8,631,427**	7,048,853
Apparel	**14,709,172**	9,116,068
Accessories	**759,440**	527,571
	24,100,039	16,692,492

For the year ended 31 December 2018, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2017: Nil).

2. Other Net Income

	2018 RMB'000	2017 RMB'000
Government grants(i)	**741,153**	439,313
Net (loss)/gains on disposal of non-current assets	**(7,237)**	18,541
Dividend income from equity investments	**5,202**	1,990
Others	**20,903**	(1,961)
	760,021	457,883

(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

	2018 RMB'000	2017 RMB'000
Total interest income on financial assets measured at amortised cost	**225,125**	170,132
Other net foreign exchange gain	**–**	173,573
	225,125	343,705
Total interest expense on financial liabilities measured at amortised cost	**(52,036)**	(15,539)
Less: interest expenses capitalised into properties under development(i)	**2,106**	–
Net loss on forward foreign exchange contracts	**(16,083)**	(6,327)
Other net foreign exchange loss	**(91,552)**	–
	(157,565)	(21,866)
Net finance income	**67,560**	321,839

(i) The borrowing costs have been capitalised at a rate of 5.15% per annum (2017: Nil).

4. Profit Before Taxation

Profit before taxation is arrived at after charging:

		2018 RMB'000	2017 RMB'000
(a)	Staff costs[(i) & (ii)]:		
	Salaries, wages and other benefits	**2,394,381**	1,802,454
	Contributions to defined contribution retirement plans	**239,231**	203,363
		2,633,612	2,005,817
(b)	Operating lease charges:		
	Contingent rentals	**885,220**	615,780
	Minimum lease payments	**841,314**	278,167
		1,726,534	893,947
(c)	Other items:		
	Cost of inventories[(i)] (note 16(b))	**11,412,761**	8,451,345
	Research and development costs[(i) & (ii)]	**598,538**	479,287
	Subcontracting charges[(i)]	**200,387**	169,670
	Depreciation[(i)] (note 10)	**291,303**	207,929
	Amortisation		
	– lease prepayments (note 12(a))	**10,026**	8,532
	– intangible assets (note 13)	**40,880**	33,816
	Impairment loss of trade receivables (note 17)	**24,447**	19,592
	Auditors' remuneration	**8,183**	7,380

(i) Cost of inventories includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB1,446,710,000 (2017: RMB1,311,542,000).

(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:

	2018 RMB'000	2017 RMB'000
Current tax		
PRC Corporate Income Tax, Macao Complementary (Profits) Tax and Singapore Corporate Income Tax	**1,478,015**	958,734
Dividends withholding tax	**106,611**	140,491
Deferred tax (note 24(b))		
Dividends withholding tax	**(106,611)**	(140,491)
Origination and reversal of other temporary differences	**55,138**	192,932
	1,533,153	1,151,666

(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 have been made as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year ended 31 December 2018 and 2017.

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

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

(iii) In accordance with the relevant PRC corporate income tax laws, implementation regulations and guidance notes, certain subsidiaries in the PRC are entitled to tax concessions whereby the profits of the subsidiaries are taxed at a preferential income tax rate. Taxation of the Group's other subsidiaries in 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) Singapore Corporate Income Tax is calculated at the applicable tax rate of 17% on the chargeable income.

(vi) 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:

	2018 RMB'000	2017 RMB'000
Profit before taxation	**5,767,345**	4,310,558
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**1,444,723**	959,898
Tax effect of non-deductible expenses	**50,769**	19,057
Tax effect of non-taxable income	**(41,622)**	(76,650)
Tax effect of unused tax losses not recognised	**41,593**	27,192
Withholding tax on profits retained by PRC subsidiaries (note 5(a)(vi))	**113,932**	338,145
Effect of tax concessions (note 5(a)(iii))	**(76,242)**	(115,976)
Actual tax expense	**1,533,153**	1,151,666

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 2018					
Executive Directors					
Mr. Ding Shizhong	**–**	**1,080**	**69**	**532**	**1,681**
Mr. Ding Shijia	**–**	**1,000**	**69**	**–**	**1,069**
Mr. Lai Shixian	**–**	**1,500**	**69**	**–**	**1,569**
Mr. Wang Wenmo	**–**	**1,000**	**69**	**–**	**1,069**
Mr. Wu Yonghua	**–**	**2,000**	**69**	**–**	**2,069**
Mr. Zheng Jie	**–**	**3,027**	**96**	**–**	**3,123**
	–	**9,607**	**441**	**532**	**10,580**
Independent Non-Executive Directors					
Mr. Yiu Kin Wah Stephen *(appointed on 1 June 2018)*	**399**	**–**	**–**	**–**	**399**
Mr. Lu Hong-Te	**205**	**–**	**–**	**–**	**205**
Mr. Dai Zhongchuan	**120**	**–**	**–**	**–**	**120**
Mr. Yeung Chi Tat *(resigned on 1 June 2018)*	**128**	**–**	**–**	**–**	**128**
Total	**852**	**9,607**	**441**	**532**	**11,432**
Year ended 31 December 2017					
Executive Directors					
Mr. Ding Shizhong	–	1,080	65	532	1,677
Mr. Ding Shijia	–	1,000	65	–	1,065
Mr. Lai Shixian	–	1,500	65	–	1,565
Mr. Wang Wenmo	–	1,000	65	–	1,065
Mr. Wu Yonghua	–	2,000	65	–	2,065
Mr. Zheng Jie	–	2,600	89	–	2,689
	–	9,180	414	532	10,126
Independent Non-Executive Directors					
Mr. Yeung Chi Tat	314	–	–	–	314
Mr. Lu Hong-Te	210	–	–	–	210
Mr. Dai Zhongchuan	120	–	–	–	120
Total	644	9,180	414	532	10,770

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 (2017: 1) is also a Director of the Company whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the remaining 4 (2017: 4) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries and other emoluments	8,849	10,048
Discretionary bonuses	7,771	6,537
Contributions to retirement benefit scheme	23	80
	16,643	16,665

The 4 individuals (2017: 4) are neither senior management nor a Director of the Company (2017: include 1 senior management that is not a Director of the Company). The emoluments of the 4 (2017: 4) individuals with the highest emoluments are within the following bands:

	Number of individuals 2018	2017
RMB3,000,001 to RMB3,500,000	1	1
RMB3,500,001 to RMB4,000,000	1	–
RMB4,000,001 to RMB4,500,000	–	2
RMB4,500,001 to RMB5,000,000	2	–
RMB5,000,001 to RMB5,500,000	–	1

8. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB4,102,855,000 (2017: RMB3,087,843,000) and the weighted average number of ordinary shares in issue during the year of 2,684,788,000 (2017: 2,638,960,000).

Weighted average number of ordinary shares

	2018 '000 Shares	2017 '000 Shares
Issued ordinary shares as at 1 January	2,684,569	2,502,471
Effect of shares issued under placing and top-up subscription	–	132,329
Effect of share options exercised	219	4,160
Weighted average number of ordinary shares as at 31 December	2,684,788	2,638,960

8. Earnings Per Share (Continued)

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

	2018 '000 Shares	2017 '000 Shares
Weighted average number of ordinary shares as at 31 December	**2,684,788**	2,638,960
Effect of deemed issue of shares under the Company's share option schemes	**2,310**	3,860
Weighted average number of ordinary shares (diluted) as at 31 December	**2,687,098**	2,642,820

9. Company-level Statement of Financial Position

	Note	**2018 RMB'000**	2017 RMB'000
Non-current assets			
Investments in subsidiaries	14	**139**	131
Total non-current assets		**139**	131
Current assets			
Other receivables		**304**	6,682
Amounts due from subsidiaries		**7,192,871**	6,456,395
Fixed deposits held at banks with maturity over three months		**–**	462,847
Cash and cash equivalents		**122,095**	558,093
Total current assets		**7,315,270**	7,484,017
Total assets		**7,315,409**	7,484,148
Current liabilities			
Other payables		**1,873**	2,744
Total current liabilities		**1,873**	2,744
Net current assets		**7,313,397**	7,481,273
Total assets less current liabilities		**7,313,536**	7,481,404
Equity			
Share capital	25	**259,038**	259,010
Reserves	26	**7,054,498**	7,222,394
Total equity		**7,313,536**	7,481,404
Total liabilities and equity		**7,315,409**	7,484,148

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 2017	1,077,533	261,181	32,639	457,076	83,526	1,911,955
Additions	41,495	27,727	9,233	31,547	112,906	222,908
Transfer from construction in progress (note 11)	7,745	1,404	–	4,516	–	13,665
Capital contribution-in-kind by non-controlling interests of a subsidiary	–	–	–	309	10,697	11,006
Disposals	(1,252)	(22,422)	(8,759)	(11,111)	(50,391)	(93,935)
As at 31 December 2017 and 1 January 2018	**1,125,521**	**267,890**	**33,113**	**482,337**	**156,738**	**2,065,599**
Additions	**–**	**29,273**	**1,600**	**46,100**	**179,661**	**256,634**
Transfer from construction in progress (note 11)	**580,698**	**5,299**	**11,870**	**29,598**	**–**	**627,465**
Disposals	**–**	**(13,250)**	**(705)**	**(9,430)**	**(101,583)**	**(124,968)**
As at 31 December 2018	**1,706,219**	**289,212**	**45,878**	**548,605**	**234,816**	**2,824,730**
Accumulated depreciation:						
As at 1 January 2017	277,587	114,591	22,742	279,328	47,344	741,592
Charge for the year (note 4)	57,534	19,673	4,279	56,637	69,806	207,929
Written back on disposals	(112)	(19,307)	(7,803)	(9,887)	(49,917)	(87,026)
As at 31 December 2017 and 1 January 2018	**335,009**	**114,957**	**19,218**	**326,078**	**67,233**	**862,495**
Charge for the year (note 4)	**62,610**	**20,194**	**3,962**	**54,754**	**149,783**	**291,303**
Written back on disposals	**–**	**(10,490)**	**(343)**	**(7,812)**	**(97,753)**	**(116,398)**
As at 31 December 2018	**397,619**	**124,661**	**22,837**	**373,020**	**119,263**	**1,037,400**
Net book value:						
As at 31 December 2018	**1,308,600**	**164,551**	**23,041**	**175,585**	**115,553**	**1,787,330**
As at 31 December 2017	790,512	152,933	13,895	156,259	89,505	1,203,104

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

11. Construction in Progress

	2018 RMB'000	2017 RMB'000
As at 1 January	**705,539**	157,024
Additions through acquisition of a subsidiary (note 31)	**389,037**	–
Other additions	**281,919**	562,180
Transfer to property, plant and equipment (note 10)	**(627,465)**	(13,665)
As at 31 December	**749,030**	705,539

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

At 31 December 2018, a property under development and the respective land use right of the Group were secured for certain bank loans (see note 20).

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

(a) Lease prepayments

	2018 RMB'000	2017 RMB'000
Cost:		
As at 1 January	**473,752**	378,710
Transfer from prepayments for acquisition of land use rights	**–**	125,173
Disposals	**–**	(30,131)
As at 31 December	**473,752**	473,752
Accumulated amortisation:		
As at 1 January	**43,029**	36,958
Charge for the year (note 4)	**10,026**	8,532
Written back on disposals	**–**	(2,461)
As at 31 December	**53,055**	43,029
Net book value:		
As at 31 December	**420,697**	430,723

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 2018, the Group made prepayments of RMB325,878,000 (2017: RMB15,878,000) 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 2018.

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

As at 31 December 2018, the Group made prepayments of RMB40,940,000 (2017: RMB89,534,000) for the acquisition of certain plants, machineries and computer software.

13. Intangible Assets

	Computer software RMB'000	Patents and trademarks RMB'000	Total RMB'000
Cost:			
As at 1 January 2017	141,396	513,085	654,481
Additions	12,242	25,907	38,149
Capital contribution-in-kind by non-controlling interests of a subsidiary	199	223,280	223,479
Disposals	(217)	–	(217)
As at 31 December 2017 and 1 January 2018	**153,620**	**762,272**	**915,892**
Additions	**20,997**	**–**	**20,997**
As at 31 December 2018	**174,617**	**762,272**	**936,889**
Accumulated amortisation:			
As at 1 January 2017	83,567	93,394	176,961
Charge for the year (note 4)	18,721	15,095	33,816
Written back on disposals	(217)	–	(217)
As at 31 December 2017 and 1 January 2018	**102,071**	**108,489**	**210,560**
Charge for the year (note 4)	**21,113**	**19,767**	**40,880**
As at 31 December 2018	**123,184**	**128,256**	**251,440**
Net book value:			
As at 31 December 2018	**51,433**	**634,016**	**685,449**
As at 31 December 2017	51,549	653,783	705,332

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

14. Investments in Subsidiaries

The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2018 are shown on pages 144 to 149.

15. Other Non-current Financial Assets

	2018 RMB'000	2017 RMB'000
Equity instruments designated as measured at FVOCI (non-recycling):		
Listed equity investments	**506,567**	–
Unlisted equity investments	**63,520**	49,350
Debt instruments measured at amortised cost:		
Listed held-to-maturity debt securities	**107,602**	102,617
	677,689	151,967

The Group designated the listed equity investments as measured at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends with amount of RMB3,709,000 were received on the listed equity investments during the year (2017: Nil).

The Group designated the unlisted equity investments as measured at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends with amount of RMB1,493,000 were received on the unlisted equity investments during the year (2017: 1,990,000).

The movements of the unlisted equity investments are as follows:

	RMB'000
At 1 January 2018	**49,350**
Total unrealised gains recognised in other comprehensive income	**14,170**
At 31 December 2018	**63,520**

The listed held-to-maturity debt securities are of investment grades or issued by large PRC state-owned institutions, and neither past due nor impaired.

16. Inventories

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

	2018 RMB'000	2017 RMB'000
Raw materials	**178,361**	133,954
Work in progress	**165,804**	179,058
Finished goods	**2,548,321**	1,842,250
	2,892,486	2,155,262

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

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	**11,420,642**	8,437,253
(Reversal of write-down)/write-down of inventories	**(7,881)**	14,092
	11,412,761	8,451,345

The reversal of write-down of inventories made in prior years arose due to an increase in the overall estimated net realisable value of finished goods as a result of change in product mix under ordinary course of business of the Group.

17. Trade Receivables and Other Receivables

	2018 RMB'000	2017 RMB'000
Trade receivables	**2,558,509**	2,117,904
Less: Loss allowance	**(53,611)**	(29,164)
	2,504,898	2,088,740
Advance payments to suppliers	**664,069**	498,717
Deposits and other prepayments	**924,989**	697,478
VAT deductible	**381,786**	358,575
Interest receivables	**68,679**	56,869
Others	**93,779**	32,339
	4,638,200	3,732,718

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

	2018 RMB'000	2017 RMB'000
Current	**2,484,316**	2,059,576
Less than 3 months past due	**54,145**	53,442
Past due over 3 months	**20,048**	4,886
	2,558,509	2,117,904

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

	2018 RMB'000	2017 RMB'000
As at 1 January	**29,164**	9,572
Impairment losses recognised (note 4)	**24,447**	19,592
As at 31 December	**53,611**	29,164

The Group normally grants a credit period of 30 to 90 days to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 28(a).

18. Pledged Deposits

Certain bank deposits have been pledged as security for certain contracts, construction projects and escrow arrangement in connection with liquidated damage arrangement under the combination agreement in relation to the Acquisition (see note 35).

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

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

	2018 RMB'000	2017 RMB'000
Deposits with banks within three months to maturity when placed	**6,125,812**	4,151,390
Cash at bank and in hand	**2,457,864**	2,816,199
Short-term investments	**700,000**	–
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**9,283,676**	6,967,589
Deposits with banks with more than three months to maturity when placed	**807,778**	2,436,415
	10,091,454	9,404,004

The short-term investments are highly liquid debt securities issued by a financial institution in the PRC, with fixed maturities (three months or less) and guaranteed returns, and subject to insignificant risk of changes in value.

As at 31 December 2018, the balances that were placed with banks in the PRC amounted to RMB5,554,333,000 (2017: RMB3,557,276,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

(b) Reconciliation of liabilities arising from financing activities:

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

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

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

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

	Bank loans RMB'000	Bills payable (financing in nature) RMB'000	Long-term payable to non-controlling interests RMB'000	Total RMB'000
As at 1 January 2017	937,706	600,000	40,286	1,577,992
Changes from financing cash flows:				
Drawdown of new bank loans	147,911	–	–	147,911
Repayment of bank loans	(975,195)	–	–	(975,195)
Repayment of bills of exchange	–	(600,000)	–	(600,000)
Payment for long-term payable to non-controlling interests	–	–	(3,684)	(3,684)
Total changes from financing cash flows	(827,284)	(600,000)	(3,684)	(1,430,968)
Other changes:				
Interest expenses	–	–	1,870	1,870
Capital contribution-in-kind by non-controlling interests of a subsidiary	37,489	–	–	37,489
Derecognition of long-term payable to non-controlling interests	–	–	(40,699)	(40,699)
Other changes	–	–	2,227	2,227
Total other changes	37,489	–	(36,602)	887
As at 31 December 2017	147,911	–	–	147,911

20. Bank Loans

	2018 RMB'000	2017 RMB'000
Current		
– Unsecured bank loans	**1,221,559**	147,911
– Secured bank loans	**22,000**	–
	1,243,559	147,911
Non-current		
– Secured bank loans	**70,000**	–
	70,000	–
Total bank loans	**1,313,559**	147,911

All bank loans are denominated in Renminbi and Hong Kong Dollars and are measured at amortised cost. The secured bank loans are secured over a property under development and the respective land use right of the Group with carrying amount of RMB400,189,000 (see note 11).

21. Trade Payables, Bills Payable and Other Payables

	2018 RMB'000	2017 RMB'000
Trade payables	**1,792,253**	1,446,651
Bills payable (financing in nature)	**469,346**	–
Receipts in advance from customers	**–**	57,765
Contract liabilities(i)	**892,962**	–
Construction costs payables	**133,606**	128,404
VAT and other taxes payables	**233,788**	191,406
Accruals	**1,547,675**	1,789,179
Derivative financial instruments	**–**	1,891
Other payables	**563,599**	362,375
	5,633,229	3,977,671

(i) The Group has initially applied IFRS/HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018. As a result of initial application of IFRS/HKFRS 15, contract liabilities, including receipts in advance from customers and refund liabilities, as at 31 December 2018 are separately presented under bills payable and other payables (see note 33(b)).

Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to RMB729,807,000 was recognised in the reporting period.

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

	2018 RMB'000	2017 RMB'000
Within 3 months	**1,753,289**	1,405,181
3 months to 6 months	**25,198**	22,240
Over 6 months	**13,766**	19,230
	1,792,253	1,446,651

Bills payable (financing in nature) were bills of exchange which were denominated at Renminbi, measured 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) Share option scheme

Share Option Scheme I

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

(i) The terms and conditions of the grants 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:

	2018		2017	
	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**	**4,118**	HK$16.20	5,478
Exercised during the year	**HK$16.20**	**(335)**	HK$16.20	(1,360)
Outstanding at the end of the year	**HK$16.20**	**3,783**	HK$16.20	4,118
Exercisable at the end of the year	**HK$16.20**	**3,783**	HK$16.20	4,118

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

The weighted average share price at the date of exercise for share options exercised during the year was HK$44.71 (2017: HK$27.47).

The options outstanding at 31 December 2018 had an exercise price of HK$16.20 (2017: HK$16.20) and a weighted average remaining contractual life of 2 years (2017: 3 years).

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

(a) Share option scheme (Continued)

Share Option Scheme II

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

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

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

(b) Share Awards Scheme

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

The Scheme shall be valid and effective for a term of 10 years commencing on 19 October 2018.

Since the adoption of the Share Award Scheme, no shares have been granted under the Share Award Scheme.

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, Macao Complementary (Profits) Tax and Singapore Corporate Income Tax.

(b) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Dividend withholding tax RMB'000	Other deferred tax liabilities RMB'000	Accruals RMB'000	Other deferred tax assets RMB'000	Total RMB'000
As at 1 January 2017	9,615	4,804	(112,364)	(62,672)	(160,617)
Charged/(credited) to profit or loss (note 5(a))	338,145	3,257	(182,154)	33,684	192,932
Capital contribution-in-kind by non-controlling interests of a subsidiary	–	–	–	(6,692)	(6,692)
Released upon distribution of dividends (note 5(a)(vi))	(140,491)	–	–	–	(140,491)
As at 31 December 2017 and 1 January 2018	**207,269**	**8,061**	**(294,518)**	**(35,680)**	**(114,868)**
Charged/(credited) to profit or loss (note 5(a))	**113,932**	**13,842**	**(66,165)**	**(6,471)**	**55,138**
Released upon distribution of dividends (note 5(a)(vi))	**(106,611)**	**–**	**–**	**–**	**(106,611)**
As at 31 December 2018	**214,590**	**21,903**	**(360,683)**	**(42,151)**	**(166,341)**

(ii) Reconcilliation to the consolidated statement of financial position

	2018 RMB'000	2017 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(402,834)**	(330,198)
Net deferred tax liability recognised in the consolidated statement of financial position	**236,493**	215,330
	(166,341)	(114,868)

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

(c) Deferred tax assets not recognised:

As at 31 December 2018, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB357,509,000 (2017: RMB185,873,000) of which RMB258,261,000 (2017: RMB112,352,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognised:

As at 31 December 2018, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB4,372,039,000 (2017: RMB2,244,080,000). Deferred tax liabilities of RMB218,602,000 (2017: RMB112,204,000) 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.

25. Share Capital

	Par value HK$	Number of Shares '000	Nominal value of ordinary shares HK$'000
Authorised:			
Ordinary shares			
As at 31 December 2017 and 2018	**0.10**	**5,000,000**	**500,000**

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

	Par value	Number of Shares	Nominal value of ordinary shares	
	HK$	'000	HK$'000	RMB'000
Issued and fully paid:				
As at 1 January 2017	0.10	2,502,471	250,247	242,698
Shares issued pursuant to share option schemes	0.10	7,098	710	632
Shares issued under placing and top-up subscription	0.10	175,000	17,500	15,680
As at 31 December 2017 and 1 January 2018	**0.10**	**2,684,569**	**268,457**	**259,010**
Shares issued pursuant to share option schemes	**0.10**	**335**	**33**	**28**
As at 31 December 2018	**0.10**	**2,684,904**	**268,490**	**259,038**

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 335,000 ordinary shares (2017: 7,098,000 shares) in the Company at a consideration of RMB4,446,000 (2017: RMB40,929,000) of which RMB28,000 (2017: RMB632,000) was credited to share capital and the balance of RMB4,418,000 (2017: RMB40,297,000) was credited to the share premium account. RMB1,232,000 (2017: RMB6,178,000) has been transferred from the share-based compensation reserve to the share premium account. No options were lapsed during the year (2017: 150,000). As at 31 December 2018, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's share option schemes is 3,783,000 (2017: 4,118,000).

On 22 March 2017, the Company entered into a placing and subscription agreement for placing existing shares of the Company and top-up subscription of new shares of the Company by certain vendors which are the controlling shareholders of the Company. A total of 175,000,000 placing shares were placed at HK$21.67 per share by the vendors to placees and a total of 175,000,000 new shares were allotted and issued at HK$21.67 per share to the vendors by the Company. The placing and top-up subscription were completed on 24 March 2017 and 31 March 2017, respectively. The net proceeds after deducting all relevant expenses were RMB3,394,066,000, out of which RMB15,680,000 was credited to share capital and RMB3,378,386,000 was credited to the share premium account.

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)	Fair value reserve (non-recycling) RMB'000 Note 26(d)	Exchange reserve RMB'000 Note 26(e)	Share-based compensation reserve RMB'000 Note 26(f)	Retained profits RMB'000	Total reserves RMB'000
Balances as at 1 January 2017		416,237	141,029	810,883	–	(164,734)	22,898	8,079,617	9,305,930
Profit for the year		–	–	–	–	–	–	3,087,843	3,087,843
Other comprehensive income for the year		–	–	–	–	(462,891)	–	–	(462,891)
Total comprehensive income for the year		–	–	–	–	(462,891)	–	3,087,843	2,624,952
Dividends approved in respect of the previous year	27(b)	–	–	–	–	–	–	(1,006,774)	(1,006,774)
Dividends declared in respect of the current year	27(a)	–	–	–	–	–	–	(929,990)	(929,990)
Shares issued pursuant to share option schemes	25	46,475	–	–	–	–	(6,178)	–	40,297
Appropriation to statutory reserve	26(c)	–	–	299,719	–	–	–	(299,719)	–
Share issued under placing and top-up subscription	25	3,378,386	–	–	–	–	–	–	3,378,386
Equity-settled share-based payments	26(f)	–	–	–	–	–	(117)	117	–
Derecognition of long-term payable to non-controlling interests	26(b)	–	34,594	–	–	–	–	–	34,594
As at 31 December 2017 and 1 January 2018		**3,841,098**	**175,623**	**1,110,602**	**–**	**(627,625)**	**16,603**	**8,931,094**	**13,447,395**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**4,102,855**	**4,102,855**
Other comprehensive income for the year		**–**	**–**	**–**	**174,768**	**213,859**	**–**	**–**	**388,627**
Total comprehensive income for the year		**–**	**–**	**–**	**174,768**	**213,859**	**–**	**4,102,855**	**4,491,482**
Dividends approved in respect of the previous year	27(b)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,238,208)**	**(1,238,208)**
Dividends declared in respect of the current year	27(a)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,186,850)**	**(1,186,850)**
Forfeiture of unclaimed dividends		**55**	**–**	**–**	**–**	**–**	**–**	**–**	**55**
Shares issued pursuant to share option schemes	25	**5,650**	**–**	**–**	**–**	**–**	**(1,232)**	**–**	**4,418**
Appropriation to statutory reserve	26(c)	**–**	**–**	**194,536**	**–**	**–**	**–**	**(194,536)**	**–**
As at 31 December 2018		**3,846,803**	**175,623**	**1,305,138**	**174,768**	**(413,766)**	**15,371**	**10,414,355**	**15,518,292**

26. Reserves (Continued)

The Company

	Note	Share premium RMB'000 (Note 26(a))	Exchange reserve RMB'000 (Note 26(e))	Share-based compensation reserve RMB'000 (Note 26(f))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2017		416,237	(296,114)	22,898	3,410,631	3,553,652
Profit for the year		–	–	–	2,611,360	2,611,360
Other comprehensive income for the year		–	(424,537)	–	–	(424,537)
Total comprehensive income for the year		–	(424,537)	–	2,611,360	2,186,823
Dividends approved in respect of the previous year	27(b)	–	–	–	(1,006,774)	(1,006,774)
Dividends declared in respect of the current year	27(a)	–	–	–	(929,990)	(929,990)
Shares issued pursuant to share option schemes	25	46,475	–	(6,178)	–	40,297
Share issued under placing and top-up subscription	25	3,378,386	–	–	–	3,378,386
Equity-settled share-based payments	26(f)	–	–	(117)	117	–
As at 31 December 2017 and 1 January 2018	9	**3,841,098**	**(720,651)**	**16,603**	**4,085,344**	**7,222,394**
Profit for the year		**–**	**–**	**–**	**1,974,409**	**1,974,409**
Other comprehensive income for the year		**–**	**278,280**	**–**	**–**	**278,280**
Total comprehensive income for the year		**–**	**278,280**	**–**	**1,974,409**	**2,252,689**
Dividends approved in respect of the previous year	27(b)	**–**	**–**	**–**	**(1,238,208)**	**(1,238,208)**
Dividends declared in respect of the current year	27(a)	**–**	**–**	**–**	**(1,186,850)**	**(1,186,850)**
Forfeiture of unclaimed dividends		**55**	**–**	**–**	**–**	**55**
Shares issued pursuant to share option schemes	25	**5,650**	**–**	**(1,232)**	**–**	**4,418**
As at 31 December 2018	9	**3,846,803**	**(442,371)**	**15,371**	**3,634,695**	**7,054,498**

The Group, including the Company, has initially applied IFRS/HKFRS 15 and IFRS/HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 33.

(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 2018 was HK$7,951,029,000 (2017: HK$8,593,478,000).

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.

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

(c) Statutory reserve

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

(d) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity instruments designated as measured at FVOCI under IFRS/HKFRS 9 that are held at the end of the reporting period (see note 33(a)).

(e) Exchange reserve

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

(f) 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. 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 for the shares issued) or the option expires (when it is released directly to retained profits).

(g) Capital management

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

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

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

27. Dividends

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

	2018 RMB'000	2017 RMB'000
Interim dividend declared and paid of HK50 cents per ordinary share (2017: HK41 cents per ordinary share)	**1,186,850**	929,990
Final dividend recommended after the end of the reporting period of HK28 cents per ordinary share (2017: HK41 cents per ordinary share)	**655,597**	890,641
No special dividend recommended after the end of the reporting period (2017: HK16 cents per ordinary share)	**–**	347,567
	1,842,447	2,168,198

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

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

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the year ended 31 December 2017, approved and paid during the year, of HK41 cents per ordinary share (2016: HK34 cents per ordinary share)	**890,641**	815,007
Special dividend in respect of the year ended 31 December 2017, approved and paid during the year, of HK16 cents per ordinary share (2016: HK8 cents per ordinary share)	**347,567**	191,767
	1,238,208	1,006,774

28. Financial Risk Management and Fair Values

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and listed held-to-maturity debt securities. The Group's exposure to credit risk arising from pledged deposits, deposits with banks and cash and cash equivalents are limited because the counterparties are banks and financial institutions for which the Group considers to have low credit risk.

The Group does not provide any other guarantees which would expose the Group to credit risk.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2017: 4%) and 13% (2017: 20%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

28. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018.

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

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

There was no material impact on trade receivables for the initial application of the new impairment requirements under IFRS/HKFRS 9.

In respect of listed held-to-maturity debt securities, the Group primarily purchases or subscribes the securities with investment grades or issued by large PRC state-owned institutions, and being listed (or to be listed) on a recognised stock exchange. Furthermore, the remaining maturity periods of these securities are normally less than 5 years. Therefore, the Group expects that there is no significant credit risk and does not expect any investment counterparty to fail meet its obligation.

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

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, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current as at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash outflows/(inflows)					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	RMB'000
As at 31 December 2018						
Non-derivative financial liabilities:						
Bank loans	**1,259,680**	**29,111**	**45,903**	**–**	**1,334,694**	**1,313,559**
Trade payables	**1,792,253**	**–**	**–**	**–**	**1,792,253**	**1,792,253**
Bills payable and other payables	**3,840,976**	**–**	**–**	**–**	**3,840,976**	**3,840,976**
Amounts due to related parties	**21,199**	**–**	**–**	**–**	**21,199**	**21,199**
	6,914,108	**29,111**	**45,903**	**–**	**6,989,122**	**6,967,987**
As at 31 December 2017						
Non-derivative financial liabilities:						
Bank loans	149,664	–	–	–	149,664	147,911
Trade payables	1,446,651	–	–	–	1,446,651	1,446,651
Bills payable and other payables	2,531,020	–	–	–	2,531,020	2,531,020
Amounts due to related parties	19,464	–	–	–	19,464	19,464
	4,146,799	–	–	–	4,146,799	4,145,046
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	500,000	–	–	–	500,000	
– inflow	(499,961)	–	–	–	(499,961)	

28. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from certain bank loans. All of the bank deposits, listed held-to-maturity debt securities and other bank loans of the Group are fixed rate instruments and are insensitive to any change in market interest rates.

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

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:

	2018		2017	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Financial instruments				
Fixed rate instruments:				
Listed held-to-maturity debt securities	**3.43%~3.59%**	**107,602**	3.43%~3.59%	102,617
Short-term investments	**6.90%~7.15%**	**700,000**	–	–
Pledged deposits	**0.73%~4.85%**	**1,662,240**	0.73%~4.85%	149,957
Bank deposits	**1.41%~4.35%**	**6,933,590**	1.61%~4.80%	6,587,805
Bank loans	**2.34%~4.10%**	**(1,221,559)**	4.35%	(110,000)
		8,181,873		6,730,379
Variable rate instruments:				
Cash at bank	**0.01%~0.30%**	**2,457,864**	0.01%~0.30%	2,816,199
Bank loans	**105% of the benchmark lending rate of People's Bank of China**	**(92,000)**	HIBOR + 3.00%	(37,911)
		2,365,864		2,778,288
Total instruments		**10,547,737**		9,508,667
Fixed rate instruments as a percentage of total instruments		**78%**		71%

As at 31 December 2018, the Group's variable rate instruments are mainly cash at bank and certain bank loans and the Group considered that the overall interest rate risk resulting from change in market interest rate was not significant.

28. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through contractual obligations, listed held-to-maturity debt securities, 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. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded in below table.

	Exposure to foreign currencies (expressed in Renminbi)					
	2018 Renminbi RMB'000	**2018 Hong Kong Dollars RMB'000**	**2018 United States Dollars RMB'000**	2017 Renminbi RMB'000	2017 Hong Kong Dollars RMB'000	2017 United States Dollars RMB'000
Cash and cash equivalents	**2,709,647**	**2,479**	**768,044**	1,548,677	1,713	1,572,476
Fixed deposits held at banks with maturity over three months	**600,000**	**–**	**207,778**	1,450,000	–	985,678
Pledged deposits	**1,800**	**–**	**–**	1,800	–	–
Trade receivables	**–**	**–**	**7,124**	–	–	10,505
Other receivables	**25,226**	**–**	**30,250**	17,961	–	43,788
Amount due from group companies	**448,167**	**–**	**1,559**	467,209	–	–
Listed held-to-maturity debt securities	**–**	**–**	**107,602**	–	–	102,617
Bank loans	**(600,000)**	**–**	**–**	–	–	–
Trade payables	**–**	**–**	**(96,541)**	–	–	(30,861)
Bills payable and other payables	**–**	**–**	**(19,778)**	–	–	(6,672)
Amount due to group companies	**–**	**(31,483)**	**(3,463)**	–	–	–
Gross exposure to currency risk	**3,184,840**	**(29,004)**	**1,002,575**	3,485,647	1,713	2,677,531
Notional amounts of forward foreign exchange contracts	**–**	**–**	**–**	(500,000)	–	499,961
Net exposure to currency risk	**3,184,840**	**(29,004)**	**1,002,575**	2,985,647	1,713	3,177,492

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.

	2018 Increase/ (decrease) in foreign exchange rates in %	2018 Effect on profit after taxation and retained profits RMB'000	2018 Effect on other components of equity RMB'000	2017 Increase/ (decrease) in foreign exchange rates in %	2017 Effect on profit after taxation and retained profits RMB'000	2017 Effect on other components of equity RMB'000
Renminbi	**5**	**159,242**	**(159,242)**	5	149,282	(149,282)
	(5)	**(159,242)**	**159,242**	(5)	(149,282)	149,282
Hong Kong Dollars	**5**	**(1,186)**	**(24,816)**	5	85	15,095
	(5)	**1,186**	**24,816**	(5)	(85)	(15,095)
United States Dollars	**5**	**(2,100)**	**127,987**	5	15,746	142,224
	(5)	**2,100**	**(127,987)**	(5)	(15,746)	(142,224)

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 2017.

28. Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

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

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

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

	Fair value at 31 December 2017	Fair value measurements as at 31 December 2017 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements				
Financial liabilities:				
Derivative financial instruments:				
– Forward foreign exchange contracts	(1,891)	–	(1,891)	–

During the year ended 31 December 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

Information about Level 3 fair value measurements

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

28. Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement (Continued)

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

The carrying amounts of all financial assets and liabilities measured at amortised cost are not materially different from their fair values as at 31 December 2018, except for the listed held-to-maturity debt securities, which the fair value is approximately RMB101,982,000 (2017: RMB101,061,000), as compared to the carrying amount of RMB107,602,000 (2017: RMB102,617,000), and the level of fair value hierarchy is Level 1.

29. Commitments

(a) Operating leases

As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	**1,043,373**	352,636
After 1 year but within 5 years	**744,346**	320,497
After 5 years	**29,470**	25,665
	1,817,189	698,798

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 2018 not provided for in the financial statements were as follows:

	2018 RMB'000	2017 RMB'000
Contracted for	**1,385,354**	518,239
Authorised but not contracted for	**245,907**	469,506
	1,631,261	987,745

(c) Other commitments

On 7 December 2018, the Company and other invertors formed an investor consortium, which will be led by the Company, for purposes of the voluntary recommended public cash tender offer for all the issued and outstanding shares in Amer Sports Oyj ("Amer Sports") at a price of EUR40.00 per Amer Sports' share (the "Acquisition"). Mascot JVCo (Cayman) Limited ("JVCo") was incorporated to pursue the Acquisition and was indirectly wholly owned by the Company as at the end of the reporting period. The parties (or procuring their respective affiliate) shall enter into a shareholders' agreement in relation to JVCo, in which the Group and other investors shall invest equity to JVCo. The Group shall invest EUR1,543,000,000 (equivalent to RMB12,421,150,000) to the JVCo resulting in having 57.95% shareholding.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

30. Material Related Party Transactions

(a) Transactions with related parties

	2018 RMB'000	2017 RMB'000
Recurring transactions		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. ("Quanzhou Anda")	**82,634**	56,183
Service fees		
– Mr. Ding Shijia	**20,082**	19,722

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

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

(b) Balances with related parties

	2018 RMB'000	2017 RMB'000
Amounts due to related parties		
Trade balance		
– Quanzhou Anda	**14,016**	13,254
Other balance		
– Mr. Ding Shijia	**7,183**	6,210
	21,199	19,464

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:

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	**10,580**	15,169

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

31. Acquisition of a Subsidiary

During the year, the Group has acquired the entire interest in Toptex (Xiamen) Land Limited ("Toptex (Xiamen)"). The acquired subsidiary's major assets are a property under development and the respective land use right. The directors consider that the purpose of the acquisition is solely to acquire the underlying property for office use.

The acquisition of Toptex (Xiamen) had the following effect on the Group's assets and liabilities upon the date of acquisition:

	RMB'000
Construction in progress (note 11)	**389,037**
Other receivables	**13,140**
Cash and cash equivalents	**123**
Trade payables	**(1,300)**
Other payables (note 19(b))	**(116,000)**
Bank loans (note 19(b))	**(101,000)**
Net assets acquired attributed to the Group	**184,000**
Consideration	**184,000**
Satisfied by:	
Purchase consideration settled in cash	**184,000**
Net cash outflow on acquisition:	
Purchase consideration	**184,000**
Cash and cash equivalents acquired	**(123)**
Net cash outflow on acquisition	**183,877**

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

(b) Net realisable value of inventories

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

32. Significant Accounting Estimates and Judgements (Continued)

(c) Loss allowance for trade receivables

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

(d) 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 29 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.

33. Revised IFRSs/HKFRSs

The IASB and HKICPA have issued a number of new IFRSs and HKFRSs and amendments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IFRS/HKFRS 9, *Financial instruments*
- IFRS/HKFRS 15, *Revenue from contracts with customers*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Under the transition methods chosen, there is no significant cumulative effect of the initial application of IFRS/HKFRS 9 and IFRS/HKFRS 15 recognised by the Group as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. Details of the changes in accounting policies are discussed in note (a) for IFRS/HKFRS 9 and note (b) for IFRS/HKFRS 15.

(a) IFRS/HKFRS 9, *Financial instruments*

The Group has initially adopted IFRS/HKFRS 9, *Financial instruments* from 1 January 2018. IFRS/HKFRS 9 replaces IAS/HKAS 39, *Financial instruments: recognition and measurement*. It sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Based on the assessment by the Group, there is no significant cumulative effect of the initial application of IFRS/HKFRS 9 at 1 January 2018 in accordance with the transition requirement.

Classification and measurement of financial assets and financial liabilities

IFRS/HKFRS 9 contains three principal classification and measurement categories for financial assets: amortised cost, FVOCI and fair value through profit or loss ("FVTPL").

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. A debt instrument will be measured at amortised cost if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the debt instrument is calculated using the effective interest method.

33. Revised IFRSs/HKFRSs (Continued)

(a) IFRS/HKFRS 9, *Financial instruments* (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

- For equity instruments, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity instrument is not held for trading and the entity irrevocably elects to designate that instrument as FVOCI. If an equity instrument is designated as FVOCI then only dividend income on that instrument will be recognised in profit or loss. Gains or losses on that instrument will be recognised in other comprehensive income without recycling through profit or loss.

The following table and the accompanying notes explain the original measurement categories for each class of the Group's financial assets under IAS/HKAS 39 and new measurement categories under IFRS/HKFRS 9. There is no remeasurement for the adoption of IFRS/HKFRS 9.

	Note	Original classification under IAS/HKAS 39	New classification under IFRS/HKFRS 9	Carrying amount at 31 December 2017 under IAS/HKAS 39 RMB'000	Carrying amount at 1 January 2018 under IFRS/HKFRS 9 RMB'000
Financial assets					
Pledged deposits	(1)	Held-to-maturity investments	Amortised cost	149,957	149,957
Deposits with banks	(1)	Held-to-maturity investments	Amortised cost	6,587,805	6,587,805
Cash at bank and in hand	(2)	Loans and receivables	Amortised cost	2,816,199	2,816,199
Trade receivables	(2)	Loans and receivables	Amortised cost	2,088,740	2,088,740
Other receivables	(2)	Loans and receivables	Amortised cost	1,643,978	1,643,978
Unlisted equity investments	(3)	Available-for-sale financial asset	FVOCI	49,350	49,350
Listed held-to-maturity debt securities	(1)	Held-to-maturity investments	Amortised cost	102,617	102,617
Total financial assets				13,438,646	13,438,646

(1) Pledged deposits, deposits with banks and listed held-to-maturity debt securities that were previously classified as held-to-maturity investments are now classified as financial assets measured at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows by payments of principal and interest on the principal amount outstanding.

(2) Cash at bank and in hand, trade receivables and other receivables that were previously classified as loans and receivables are now classified as financial assets measured at amortised cost. The Group intends to hold the financial assets to maturity to collect contractual cash flows.

(3) Unlisted equity investments that were previously classified as available-for-sale financial assets are now classified as financial assets measured at FVOCI. The Group holds these investments for long term strategic purposes. At 1 January 2018, the Group designated these investments as measured at FVOCI.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under IFRS/HKFRS 9, see accounting policies (D).

The measurement categories and carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of IFRS/HKFRS 9.

The Group did not designate or re-designate any financial asset or financial liability at FVTPL at 1 January 2018.

33. Revised IFRSs/HKFRSs (Continued)

(a) IFRS/HKFRS 9, *Financial instruments* (Continued)

Classification and measurement of financial assets and financial liabilities (Continued)

Credit losses

IFRS/HKFRS 9 replaces the "incurred loss" model in IAS/HKAS 39 with an ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises credit losses earlier than under the "incurred loss" model in IAS/HKAS 39.

For further details on the Group's accounting policy for accounting for credit losses, see accounting policies (J).

The Group has concluded that there is no material impact for the initial application of the new impairment requirements.

(b) IFRS/HKFRS 15, *Revenue from Contracts with Customers*

IFRS/HKFRS 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. IFRS/HKFRS 15 replaced IAS/HKAS 18 *Revenue*, IAS/HKAS 11 *Construction Contracts* and related interpretations.

IFRS/HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group's business model is straight forward and its contracts with customers for the sale of branded sporting goods include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point of time when a customer obtains control of goods. The Group has concluded that the initial application of IFRS/HKFRS 15 does not have a significant impact on the Group's revenue recognition.

Under IFRS/HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer (i.e. refund liability). To reflect this change in presentation, contract liabilities, including receipts in advance from customers and refund liabilities, with amount of RMB892,962,000 (as at 1 January 2018: RMB762,336,000) are now separately presented under bills payable and other payables at 31 December 2018, as a result of the adoption of IFRS/HKFRS 15.

34. Non-adjusting Event after the Reporting Period

(a) Pursuant to a resolution passed by the shareholders of the Company at the extraordinary general meeting held on 22 February 2019, the Acquisition and all the transactions contemplated under, incidental to, ancillary to, in connection with or for the ultimate purpose of the Acquisition and the related agreements entered and/or to be entered into by the Group were approved. No adjustment are required in these consolidated financial statements in this regard.

(b) After the end of the reporting period the Directors recommended a final dividend. Further details are disclosed in note 27.

35. Liquidated Damage Arrangement

Pursuant to the announcement published on 7 December 2018 in relation to the Acquisition, at the date of the announcement, the Company and Amer Sports among others, entered into a combination agreement for the purpose of the Acquisition. Under the combination agreement, Mascot Bidco Oy ("Bidco", wholly owned subsidiary of JVCo), shall pay Amer Sports liquidated damages if the agreement is terminated. The amount of liquidated damages is ranged from EUR20,000,000 to EUR175,000,000 subject to the specific circumstances leading to termination of the combination agreement. Such liquidated damages will be satisfied out of the funds placed in an escrow account by the Group (see note 18 for the pledged deposits). In the event that the combination agreement is terminated due to circumstances specified in the agreement and prior to the JVCo becoming jointly controlled by the Company and other investors, such funds placed in the escrow account by the Bidco would remain ultimately the sole contribution of the Company, unless otherwise related to other investors in certain specified circumstances. Therefore the Group, as at the end of reporting period, exposed to the risk in relation to the liquidated damages under the combination agreement with maximum amount of EUR175,000,000 (equivalent to RMB1,408,750,000). No provision has been made as at 31 December 2018 since the Directors considered the outcome cannot be reliably estimated at current stage.

36. Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the IASB and HKICPA have issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of a new standard which may have an impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS/HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

IFRS/HKFRS 16 Leases

IFRS/HKFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted for entities that adopt IFRS/HKFRS 15 at or before the date of the initial adoption of IFRS/HKFRS 16. The Group currently plans to adopt IFRS/HKFRS 16 initially on 1 January 2019.

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

As allowed by IFRS/HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in IFRS/HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of IFRS/HKFRS 16. Therefore, the cumulative effect (if any) of initial application will be recognised as an adjustment to the opening balance of equity at 1 January 2019, with no restatement of comparative information. As disclosed in note 29(a), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB1,817,189,000, mainly for properties, the majority of which is payable either within 1 year or after 1 year but within 5 years as at the end of reporting period. Upon the initial adoption of IFRS/HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be all adjusted to RMB1,662,728,000, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets for its operating leases, the Group expects that the transition adjustments to be made upon the initial adoption of IFRS/HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have an impact on the Group's financial statements from 2019 onwards.

37. Immediate and Ultimate Holding Company

The Directors consider the immediate and ultimate holding company of the Company as at 31 December 2018 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

38. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 26 February 2019.

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 2018 comprise the Company and its subsidiaries (collectively the "Group"). These financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, and are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting polices set out below:

– Equity investments (see (D))

– Derivative financial instruments (see (N))

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

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

Judgements made by management in the application of IFRSs/HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(C) Subsidiaries and Non-Controlling Interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at 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.

(C) Subsidiaries and Non-Controlling Interests (Continued)

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

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

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

Debt securities and equity investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(e). These investments are subsequently accounted for as follows, depending on their classification.

(i) Policy applicable from 1 January 2018

Debt securities

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

Equity investments

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

(ii) Policy applicable prior to 1 January 2018

Investment in debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity debt securities. Held-to-maturity debt securities were stated at amortised cost less impairment loss (for impairment see (J) – policy applicable prior to 1 January 2018).

Investments in equity instruments that did not have a quoted price in an active market for an identical instrument and whose fair value could not otherwise be reliably measured were recognised in the statement of financial position at cost less impairment losses (for impairment see (J) – policy applicable prior to 1 January 2018). The relevant dividend income was recognised in profit or loss when the right to receive payment is established.

SIGNIFICANT ACCOUNTING POLICIES

(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 buildings and property and plant under construction and equipment pending for installation, and is stated at cost less impairment losses (see (J)). Cost comprises direct costs of construction. 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 lives 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) Credit Losses and Impairment of Assets

(i) Credit losses from financial assets

- *Policy applicable from 1 January 2018*

The Group applies the new ECL model to financial assets measured at amortised cost, including pledged deposits, deposits with banks, cash and cash equivalent, trade receivables, other receivables and listed held-to-maturity debt securities. Financial assets measured at fair value, including equity investments designated as measured at FVOCI, are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

For all other financial instruments (including pledged deposits, deposits with banks, cash and cash equivalents and listed held-to-maturity debt securities), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

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

SIGNIFICANT ACCOUNTING POLICIES

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

(i) Credit losses from financial assets (Continued)

- *Policy applicable from 1 January 2018* (Continued)

  In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

  – failure to make payments of principal or interest on their contractually due dates;

  – an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

  – an actual or expected significant deterioration in the operating results of the debtor; and

  – existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

  Depending on the nature of the financial assets, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial assets are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

  ECLs are remeasured at the end of each reporting period to reflect changes in the financial assets' credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

  Basis of calculation of interest income

  Interest income recognised (see (U)(ii)) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

  At the end of each reporting period, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

  Evidence that a financial asset is credit-impaired includes the following observable events:

  – significant financial difficulties of the debtor;

  – a breach of contract, such as a default or delinquency in interest or principal payments;

  – it becoming probable that the debtor will enter into bankruptcy or other financial reorganisation;

  – significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

  – the disappearance of an active market for a security because of financial difficulties of the issuer.

  Write-off policy

  The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

  Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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

(i) Credit losses from financial assets (Continued)

- *Policy applicable prior to 1 January 2018*

  Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as measured at FVTPL (e.g. unquoted equity instrument measured at cost, held-to-maturity debt securities and trade receivables and other receivables). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

  – significant financial difficulties 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 into bankruptcy or other financial reorganisation;

  – significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

  – a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

  If any such evidence existed, an impairment loss was determined and recognised as follows:

  – For unquoted equity instruments measured at cost, the impairment loss was 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 was material. Impairment losses for equity instruments measured at cost were not reversed.

  – For held-to-maturity debt securities and trade receivables and other receivables measured at amortised cost, the impairment loss was 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 was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were 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 decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

(ii) Impairment of other non-current assets

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

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

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

(ii) Impairment of other non-current assets (Continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(K) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process.

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

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

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

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

(L) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see (U)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see (M)).

(M) Trade Receivables and Other Receivables

Trade receivables and other receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see (J)(i)).

(N) Derivative Financial Instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(O) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost 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. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see (Y)).

(P) Trade Payables, Bills Payable and Other Payables

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

(Q) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in (J)(i).

(R) 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 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).

(S) Income Tax

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

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

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

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

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(T) 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.

(U) Revenue and other income

Revenue is recognised when control over a product is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax and is after deduction of any trade discounts, rebates and goods returns.

Further details of the group's revenue and other income recognition policies are as follows:

(i) Sale of goods

Revenue is recognised when the control of the sporting goods are considered to have been transferred to the customer.

In the comparative period, revenue from sales of goods was recognised when the customer has accepted the related risks and rewards of ownership.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see (J)(i)).

(iii) Government grants

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

(iv) Dividends income from equity instruments

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

Dividend income from listed equity investments is recognised when the share price of the investment goes ex-dividend.

(V) 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 transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities.

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

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

(W) 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.

(X) Dividends

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

(Y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(Z) 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.

(AA) 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 Direct	Attributable equity interest Indirect	Principal activities
Anta Enterprise Group Limited ("Anta Enterprise")	BVI/Hong Kong	USD10,000	100%	–	Investment holding
Motive Force Sports Products Limited ("Motive Force")	BVI/Hong Kong	USD10,000	100%	–	Investment holding
REEDO Sports Products Limited ("REEDO Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANDES Sports Products Limited ("ANDES Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
Origin Force Holding Limited ("Origin Holding")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANKO Sports Products Limited ("ANKO Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANKING Sports Products Limited ("ANKING Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANLLIAN Sports Products Limited ("ANLLIAN Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
Mascot JVCo (Cayman) Limited ("Mascot JVCo")	Cayman Islands/ Hong Kong	EUR1	–	100%	Investment holding
Mascot Midco I Oy ("Mascot Midco")	Finland	EUR2,500	–	100%	Investment holding
Mascot Bidco Oy ("Mascot Bidco")	Finland	EUR2,500	–	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

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Indirect	Principal activities
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
弘展(廈門)地產有限公司 (「弘展廈門地產」) Toptex (Xiamen) Land Limited ("Toptex (Xiamen)") (Notes (ii) and (iii))	PRC	RMB160,000,000	–	100%	Property development
廈門安踏有限公司(「廈門安踏」) Xiamen ANTA Company Limited ("Xiamen ANTA") (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Investment holding and trading of sporting goods
福建安踏物流信息科技有限公司(「安踏物流」) Fujian ANTA Logistics Information Technology Co., Ltd.("ANTA Logistics") (Notes (ii) and (iii))	PRC	RMB779,000,000	–	100%	Logistics services
廈門安踏實業有限公司 (「廈門安踏實業」) Xiamen ANTA Industrial Limited ("Xiamen ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏電子商務有限公司 (「廈門安踏電子商務」) Xiamen ANTA E-Commerce Limited ("Xiamen ANTA E-Commerce") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	100%	Retailing of sporting goods
河南安踏體育用品有限公司 (「河南安踏」) Henan ANTA Sports Products Limited ("Henan ANTA") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
河南安踏鞋材有限公司 (「河南鞋材」) Henan ANTA Material Supply Limited ("Henan Material") (Notes (ii) and (iii))	PRC	RMB150,000,000	–	100%	Manufacturing of shoe sole

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
泉州安踏鞋材有限公司 (「泉州鞋材」) Quanzhou ANTA Material Supply Limited ("Quanzhou Material") (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of shoe sole
泉州市東禕達輕工發展有限公司 (「東禕達」) Quanzhou Dongyida Light Industry Development Co., Limited ("Dongyida") (Notes (ii) and (iii))	PRC	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
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	RMB240,000,000	–	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	USD100	–	85%	Investment holding
Full Prospect (IP) PTE Ltd ("Full Prospect IP")	Singapore/Hong Kong	USD100,000	–	85%	Trademark holding
Speed Benefit Limited ("Speed Benefit")	Hong Kong	HK$1,000,000	–	85%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Indirect	Principal activities
斐樂體育有限公司(「斐樂中國」) Fila PRC Co., Limited ("Fila China") (Notes (i) and (iii))	PRC	USD9,000,000	–	85%	Trading of sporting goods
廈門斐樂體育用品有限公司(「廈門斐樂」) Xiamen Fila Sports Products Limited ("Xiamen Fila") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	85%	Retailing of sporting goods
REEDO International Limited ("REEDO International")	BVI/Hong Kong	USD100	–	85%	Investment holding
SPRANDI Investment Limited ("SPRANDI Investment")	Hong Kong	HK$1	–	85%	Investment holding
REEDO (Hong Kong) Limited ("REEDO Hong Kong")	Hong Kong	HK$100	–	85%	Investment holding
斯潘迪(中國)有限公司(「斯潘迪中國」) SPRANDI (China) Limited ("SPRANDI China") (Notes (i) and (iii))	PRC	RMB30,000,000	–	85%	Trading of sporting goods
廈門斯潘迪有限公司(「廈門斯潘迪」) Xiamen SPRANDI Limited ("Xiamen SPRANDI") (Notes (ii) and (iii))	PRC	RMB30,000,000	–	85%	Retailing of sporting goods
Descente China Holding Limited ("Descente Holding")	Cayman Islands	RMB250,000,000	–	60%	Investment holding
Descente China Investment Limited ("Descente Investment")	Hong Kong	RMB1	–	60%	Investment holding
迪桑特(中國)有限公司(「迪桑特中國」) Descente (China) Limited ("Descente China") (Notes (i) and (iii))	PRC	RMB100,000,000	–	60%	Trading and retailing of sporting goods
上海迪知服飾有限公司(「上海迪知」) Shanghai Digi Apparel Co.,Ltd ("Shanghai Digi") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	60%	Retailing of sporting goods
泉州寰球鞋服有限公司(「寰球」) Quanzhou Athletic Shoes & Garments Co., Limited ("Athletic") (Notes (ii) and (iii))	PRC	USD26,260,000	–	55%	Manufacturing and trading of sporting goods
Motive Force Sports Products (Singapore) PTE. LTD. ("Motive Force (Singapore)")	Singapore	SGD500,000	–	100%	Retailing of sporting goods

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
寧波群鯉服飾有限公司(「寧波群鯉」) Ningbo Qunli Style Co., Ltd. ("Ningbo Qunli") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
上海群鯉服飾有限公司(「上海群鯉」) Shanghai Qunli Style Co., Ltd. ("Shanghai Qunli") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
沈陽安踏實業有限公司(「沈陽安踏實業」) Shenyang ANTA Industrial Limited ("Shenyang ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB40,000,000	–	100%	Retailing of sporting goods
上海斐樂體育發展有限公司(「上海斐樂」) Shanghai Fila Sports Development Co., Ltd. ("Shanghai Fila") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	85%	Retailing of sporting goods
Kolon Sport China Holdings Limited ("Kolon Sport Holdings")	Hong Kong	USD80,000,000	–	50%	Investment holding
Kolon Sport China (IP) Pte. Ltd. ("Kolon Sport IP")	Singapore/Hong Kong	USD33,220,000	–	50%	Trademark holding
富恩施(北京)貿易有限公司(「富恩施貿易」) FNC Kolon (Beijing) Company Limited ("FNC Company") (Notes (i) and (iii))	PRC	RMB113,829,800	–	50%	Retailing of sporting goods
SKC Group Limited ("SKC Group")	Hong Kong	HK$20,286,500	–	100%	Investment holding and retailing of kid's apparel goods
Profit Dynamic Limited ("Profit Dynamic")	Hong Kong/Taiwan	HK$32,500,000	–	100%	Retailing of kid's apparel goods
Billion Treasure International Limited ("Billion Treasure International")	Hong Kong	HK$1,000,000	–	100%	Retailing of kid's apparel goods
Esteemed Elite Holdings Limited ("Esteemed Elite Holdings")	BVI/Hong Kong	USD1	–	100%	Investment holding
SKC (US) Inc. ("SKC US")	United States	USD1,000	–	100%	Retailing of kid's apparel goods
韻利(上海)商業有限公司(「韻利商業」) Yunli (Shanghai) Trading Co., Ltd. ("Yunli Trading") (Notes (i) and (iii))	PRC	HK$11,000,000	–	100%	Retailing of kid's apparel goods
ANTA US CO. LTD ("ANTA US")	United States	–	–	100%	Product design
Kingkow Investment Limited ("Kingkow Investment")	Hong Kong	HK$1	–	100%	Investment holding

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Indirect	Principal activities
上海群隆服飾有限公司(「上海群隆」) Shanghai Qunlong Style Co., Ltd. ("Shanghai Qunlong")(Notes (ii) and (iii))	PRC	–	–	50%	Retailing of sporting goods
可隆體育(中國)有限公司(「可隆體育」) Kolon Sport (China) Co., Ltd. ("Kolon Sport") (Notes (i) and (iii))	PRC	RMB100,000,000	–	50%	Trading of sporting goods
Motive Force E-commerce Limited ("Motive Force E-commerce")	Hong Kong	HK$1,000,000	–	100%	Retailing of sporting goods
安啟服飾有限公司(「安啟服飾」) Anqi Style Co., Ltd. ("Anqi Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
寧波斐越服飾有限公司(「寧波斐越」) Ningbo Feiyue Style Co., Ltd. ("Ningbo Feiyue") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Trading of sporting goods
Anta Sports Korea Co., Ltd. ("ANTA Korea") (Note (v))	Korea	WON100,000,000	–	100%	Product design
小笑牛服飾有限公司(「小笑牛服飾」) Kingkow Style Co., Ltd. ("Kingkow Style") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of kid's apparel goods
廈門小笑牛有限公司(「廈門小笑牛」) Xiamen Kingkow Company Limited. ("Xiamen Kingkow") (Notes (ii) and (iii))	PRC	–	–	100%	Retailing of kid's apparel goods
小笑牛(中國)有限公司(「小笑牛中國」) Kingkow (China) Company Limited ("Kingkow China")(Notes (i) and (iii))	PRC	RMB35,000,000	–	100%	Trading of kid's apparel goods
Kingkow (IP) Pte. Ltd. ("Kingkow IP")	Singapore/Hong Kong	–	–	100%	Trademark holding
Kingkow (Macao) Limited ("Kingkow Macao")	Macao	MOP25,000	–	100%	Retailing of kid's apparel goods

Notes:

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

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

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

(iv) The English translation of the company name is for reference only. The official name of the company is in Japanese.

(v) The English translation of the company name is for reference only. The official name of the company is in Korean.

GLOSSARY

AGM
The annual general meeting of the Company or any adjournment thereof

Anda Holdings
Anda Holdings International Limited

Anda Investments
Anda Investments Capital Limited

ANTA
ANTA brand

Anta International
Anta International Group Holdings Limited

ANTA KIDS
ANTA KIDS brand, which offers ANTA products for children

ANTA Sports/Company
ANTA Sports Products Limited

ANTA store(s)
ANTA retail store(s)

Board
The Board of Directors of the Company

BVI
The British Virgin Islands

CAGR
Compound annual growth rate

China/PRC
People's Republic of China

COC
Chinese Olympic Committee

CSD
Chinese Sports Delegation

DESCENTE
DESCENTE brand

DESCENTE store(s)
DESCENTE retail store(s)

Executive Directors
Executive directors of the Company

FILA
FILA brand

FILA FUSION
The sub-brand of FILA, which offers youth's trendy clothing

FILA KIDS
FILA KIDS brand, which offers FILA products for children

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

FILA store(s)
FILA retail store(s)

GDP
Gross Domestic Product

Group
The Company and its subsidiaries

Hong Kong
The Hong Kong Special Administrative Region of the PRC

Hong Kong Dollars, HK$
Hong Kong Dollars, the lawful currency of Hong Kong

Hong Kong Stock Exchange/HKEX
The Stock Exchange of Hong Kong Limited

HIBOR
Hong Kong Interbank Offered Rate

Independent Non-Executive Directors
Independent non-executive directors of the Company

IPO
Initial Public Offering

IT
Electronic system

KINGKOW
KINGKOW brand

KOLON SPORT
KOLON SPORT brand

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

MSCI
Morgan Stanley Capital International Global Standard Index

NASA
National Aeronautics and Space Administration

NBA
National Basketball Association

OEM
Original Equipment Manufacturer

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

SPRANDI
SPRANDI brand

US
United States of America

USD
United States Dollars, the lawful currency of the United States of America

Year
The year ended 31 December 2018

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

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

IR.ANTA.COM

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DIVIDENDS

The Board recommends the payment of a final dividend of HK28 cents per ordinary share in respect of the year ended 31 December 2018 subject to the approval of the shareholders at the forthcoming annual general meeting. The proposed final dividend will be payable on or about Monday, 29 April 2019 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Monday, 15 April 2019. In order to qualify for the proposed final 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 Monday, 15 April 2019 for registration.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Hong Kong on Tuesday, 9 April 2019. 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 Wednesday, 3 April 2019, to Tuesday, 9 April 2019, 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 Tuesday, 2 April 2019.

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 of the Company at ir.anta.com.

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

Hong Kong, 26 February 2019

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. Yiu Kin Wah Stephen, Mr. Lu Hong-Te and Mr. Dai Zhongchuan.