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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)**

#### **2020 INTERIM RESULTS ANNOUNCEMENT**

The Board of Directors (the “Board”) of ANTA Sports Products Limited (the “Company”) is pleased to announce the unaudited results of the Company and its subsidiaries (together referred to as the “Group”) for the six months ended 30 June 2020. This announcement, containing the full text of the *Interim Report 2020* 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 interim results. The printed version of the Company’s *Interim Report 2020* 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](http://www.hkexnews.hk) and of the Company at [ir.anta.com](http://ir.anta.com) in early September 2020.

#### **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended 30 June 2020 are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, by KPMG, whose report on review of interim financial report is set out in the *Interim Report 2020*. The interim results have also been reviewed by the audit committee of the Company.



**ANTA  
SPORTS  
PRODUCTS  
LIMITED**

Incorporated in the Cayman Islands with limited liability

Stock Code: 2020

## INTERIM REPORT 2020



# KLAY THOMPSON

SEASON14-15 37  
SEASON15-16 73  
SEASON18-19 14

**Klay Thompson**  
Shooting guard for the  
Golden State Warriors  
in the NBA



## Mission

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

## Core Values

- CONSUMER-ORIENTED
- DEVOTION
- INNOVATION AND PUSHING AHEAD
- RESPECT AND APPRECIATION
- INTEGRITY AND GRATITUDE



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## Vision

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

## About ANTA SPORTS PRODUCTS LIMITED

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

# Financial Overview

Six months ended 30 June	2020	2019	Changes	As at 30 June	2020	2019	Changes
	(RMB million)	(RMB million) (restated) <sup>(8)</sup>	(%)		(%)	(%) (restated) <sup>(8)</sup>	(% point)
Revenue	14,669	14,811	↓ 1.0	Gearing ratio <sup>(2)</sup>	36.0	22.9	↑ 13.1
ANTA	6,777	7,590	↓ 10.7	Return on average total shareholders' equity (annualized) <sup>(3)</sup>	16.1	27.8	↓ 11.7
FILA	7,152	6,538	↑ 9.4	Return on average total assets (annualized) <sup>(4)</sup>	7.3	15.8	↓ 8.5
Gross profit	8,339	8,302	↑ 0.4	Average total shareholders' equity to average total assets	45.6	56.6	↓ 11.0
ANTA	2,822	3,225	↓ 12.5		(in 182 days)	(in 181 days)	(days)
FILA	5,040	4,673	↑ 7.9	Average inventory turnover days <sup>(5)</sup>	135	87	↑ 48
Profit from operations	3,604	4,257	↓ 15.3	Average trade receivables turnover days <sup>(6)</sup>	46	34	↑ 12
ANTA	1,805	2,442	↓ 26.1	Average trade payables turnover days <sup>(7)</sup>	72	51	↑ 21
FILA	1,766	1,894	↓ 6.8				
Profit for the period	1,780	2,422	↓ 26.5				
Profit attributable to equity shareholders							
– without the effect of share of loss of a joint venture	2,377	2,974	↓ 20.1				
– with the effect of share of loss of a joint venture	1,658	2,323	↓ 28.6				
Free cash inflow	1,902	2,701	↓ 29.6				
	(RMB cents)	(RMB cents)	(%)				
Earnings per share							
– Basic	61.63	86.56	↓ 28.8				
– Diluted	61.35	86.48	↓ 29.1				
Shareholders' equity per share	787.58	662.44	↑ 18.9				
	(HK cents)	(HK cents)	(%)				
Interim dividend per share	21	31	↓ 32.3				
	(%)	(%)	(% point)				
Gross profit margin	56.8	56.1	↑ 0.7				
ANTA	41.6	42.5	↓ 0.9				
FILA	70.5	71.5	↓ 1.0				
Operating profit margin	24.6	28.7	↓ 4.1				
ANTA	26.6	32.2	↓ 5.6				
FILA	24.7	29.0	↓ 4.3				
Net profit margin	12.1	16.4	↓ 4.3				
Margin of profit attributable to equity shareholders							
– without the effect of share of loss of a joint venture	16.2	20.1	↓ 3.9				
– with the effect of share of loss of a joint venture	11.3	15.7	↓ 4.4				
Effective tax rate <sup>(1)</sup>	29.4	28.0	↑ 1.4				
Advertising and promotional expenses ratio (as a percentage of revenue)	9.9	10.0	↓ 0.1				
Staff costs ratio (as a percentage of revenue)	15.0	12.5	↑ 2.5				
R&D costs ratio (as a percentage of revenue)	2.7	2.4	↑ 0.3				

## Cautionary Statement Regarding Forward-Looking Statements

This *Interim Report 2020* 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 statements. Forward-looking statements speak only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group's results of operations are described in the section "Management Discussion and Analysis".

### Notes:

- (1) Effective tax rate does not include the effect of share of loss of a joint venture.
- (2) Gearing ratio is equal to the sum of convertible bonds (liability component), bank loans and bills payable (financing in nature) divided by the total assets at the end of the relevant period.
- (3) Return on average total shareholders' equity is equal to the profit attributable to equity shareholders divided by the average balance of total shareholders' equity.
- (4) Return on average total assets is equal to the profit attributable to equity shareholders divided by the average balance of total assets.
- (5) Average inventory turnover days is equal to the average balance of inventories divided by the cost of sales and multiplied by the number of days in the relevant period.
- (6) Average trade receivables turnover days is equal to the average balance of trade receivables divided by the revenue and multiplied by the number of days in the relevant period.
- (7) Average trade payables turnover days is equal to the average balance of trade payables divided by the cost of sales and multiplied by the number of days in the relevant period.
- (8) Comparative information has been restated as a result of the completion of the accounting for the business combination of the Group's joint venture. Please refer to note 12 to the interim financial report for further details.

# Results Highlights

## FINANCIAL PERFORMANCE



Revenue  
decreased by 1.0% to

**RMB14.7 billion**



Gross profit margin  
increased by 0.7% point to

**56.8%**



Profit attributable to equity shareholders  
(without the effect of share of loss of a  
joint venture) decreased by 20.1% to

**RMB2.4 billion**

Profit attributable to equity shareholders  
(with the effect of share of loss of a  
joint venture) decreased by 28.6% to

**RMB1.7 billion**



Basic earnings per share decreased by 28.8% to

**RMB61.63 cents**



Payout of the profit attributable to equity shareholders

**31.1%**

## OPERATIONAL PERFORMANCE



Number of ANTA stores  
(including ANTA KIDS standalone stores)  
in Mainland China and foreign countries stood at

**10,197**



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

**1,930**



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

**155**



Number of DESCENTE stores  
in Mainland China stood at

**145**

# Corporate Information

<b>Board</b>			
<b>Executive Directors</b>	Ding Shizhong (Chairman)	Ding Shijia (Deputy Chairman)	
	Lai Shixian	Wu Yonghua	Zheng Jie
<b>Non-Executive Director</b>	Wang Wenmo		
<b>Independent Non-Executive Directors</b>	Yiu Kin Wah Stephen	Mei Ming Zhi	Dai Zhongchuan
<b>Company Secretary</b>	Tse Kin Chung		
<b>Board Committees</b>			
<b>Audit Committee</b>	Yiu Kin Wah Stephen (Chairman)	Mei Ming Zhi	Dai Zhongchuan
<b>Remuneration Committee</b>	Yiu Kin Wah Stephen (Chairman)	Dai Zhongchuan	Ding Shizhong
<b>Nomination Committee</b>	Dai Zhongchuan (Chairman)	Yiu Kin Wah Stephen	Lai Shixian
<b>Risk Management Committee</b>	Yiu Kin Wah Stephen (Chairman)	Dai Zhongchuan	Lai Shixian
<b>Authorized representatives</b>	Ding Shizhong	Lai Shixian	
<b>Registered Office</b>			
<b>Cayman Islands Office</b>	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands		
<b>Principal Place of Business in Hong Kong</b>	16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong		
<b>Head offices in Mainland China</b>			
<b>Jinjiang Office</b>	Dongshan Industrial Zone, Chidian Town, Jinjiang City, Fujian Province, China Postal code: 362212		
<b>Xiamen Office</b>	No. 99 Jiayi Road, Guanyinshan, Xiamen, Fujian Province, China Postal code: 361008		
<b>Share registrars and transfer offices</b>			
<b>Cayman Islands Principal Registrar</b>	SMP Partners (Cayman) Limited Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands		
<b>Hong Kong Branch Registrar</b>	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong		
<b>Legal adviser</b>	Luk & Partners In Association with Morgan, Lewis & Bockius		
<b>Auditor</b>	KPMG <i>Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance</i>		
<b>Risk management and internal control review adviser</b>	KPMG Advisory (China) Limited		
<b>Principal bankers</b>	Bank of China (Hong Kong) Limited Bank of China Limited Industrial Bank Co., Ltd. Citibank, N.A.		

AMBITION  
LEADERSHIP  
PERSISTENCE  
SIMPLE  
ATHLETIC



**Gordon Hayward**  
Small forward  
for the Boston Celtics in the NBA

**GORDON HAYWARD 1**  
海沃德1代 



# Chairman's Statement



Dear Shareholders,

On behalf of the Board, I am pleased to present our interim results for the six months ended 30 June 2020.

## United as One to Fight against the Pandemic for High-quality Growth

In the first half of 2020, the Pandemic spread around the globe. Despite the fact that many countries worked together to cope with the situation, the Pandemic is not yet fully under control. As at the end of June, the confirmed cases exceeded 10 million worldwide. Some countries were also facing the risk of Pandemic case numbers bouncing back significantly. The impact of the Pandemic to the global economy will not only be limited to long term, it will also have a profound influence on the spending habits. Apart from the negative impacts brought by the Pandemic, several other factors, including geopolitical tensions and financial deleveraging, also brought uncertainties to the market. Enterprises will need to be well prepared for the uncertainties in the near future.

China has taken science based and accurate targeted measures to fight against the Pandemic. Chinese society has been united as one and has worked together to get through these challenging times. The Pandemic was under preliminary control and nationwide work resumption was set in an orderly manner. In general, the Pandemic's impact on China's economy has been contained, and the growth of the economy remained resilient. Moreover, China further enhanced its policy support to stabilize economic growth, which has thus maintained strong economic fundamentals in the long term. Furthermore, the development fundamentals of the sportswear industry have also maintained good momentum, and leading brands in the market have bolstered their market position due to their brand influence and operational efficiency, showcasing their operational stability amid a market with intense competition. Moreover, since the Pandemic, people have paid more attentions to their physical health, which has widely spread the concept of building a stronger physique through sporting activities. This trend echoed the push that was seen over the past few years amongst the general public striving for a healthier lifestyle. Therefore, China's sportswear industry has shown good defensiveness in a volatile market.

The year 2020 is unlike any others. As a result, we needed to dig into the essence of the company by focusing on “consumer” demands, in order to accelerate our “Customers, Products and Channels” reform to achieve consumer orientation by enhancing our product power, brand power and retail power. We also needed to thoroughly understand the changes in consumer demands and behaviors to continuously improve our products. We regularly examined, reviewed, and fine tuned our strategies. For instance, we used the integrated wholesale and retail omni-channel model and digitalization to improve our brand experience and interact with consumers. Despite the severe challenges, ANTA Sports, as a leading corporation in the sportswear industry in China, had the confidence and capability to triumph through the difficulties with a fearless spirit. This attitude showcased our “Keep Moving” spirit. During the period, the sales of our products were affected by the Pandemic. However, we insisted on “Reconstruction of Mind”, and making high-quality growth as our top priority. The revenue during the period decreased by 1.0% to RMB14.7 billion (2019 1H: RMB14.8 billion), profits from operations decreased by 15.3% to RMB3.6 billion (2019 1H: RMB4.3 billion). On consolidated basis, without the effect of share of loss of a joint venture, the profit attributable to equity shareholders decreased by 20.1% to RMB2.4 billion (2019 1H: RMB3.0 billion). On consolidated basis, with the effect of share of loss of a joint venture, the profit attributable to equity shareholders decreased by 28.6% to RMB1.7 billion (2019 1H: RMB2.3 billion (restated)).

## **Synergistic Incubation and Creating Value for Consumers**

As more black swan events occur, corporation not only needs swift and decisive execution, but also needs to bolster its business fundamentals. As we have repeatedly emphasized during the most challenging moments of the Pandemic, “the harder the situation is, the firmer we need to maintain our value”. The Pandemic resulted in a change of industry and consumption pattern, which also became an opportunity for us to promote highly efficient reform. We took “creating value for consumers” as our guideline, upholding the pursuit of high-quality growth. We also focused on “healthy operations” as efficient management capability allows us to seek opportunities in crisis.

Riding on the outstanding managerial capabilities and highly-efficient organizational structures we have established over the years, together with capability of risk mitigation and good track records, we were able to quickly integrate organizational resources at the beginning of the Pandemic outbreak. We adopted multiple measures in terms of distributors management, costs control and channel reform, which effectively eliminated risks. Affected by the Pandemic, customers were unable to shop in physical stores. As a result, we immediately accelerated our digitalization reform. Moreover, many departments have performed efficiently to facilitate smooth arrangements and deliver synergy, penetrating “Customers, Products and Channels”. We also made the best of our strategies, such as adopting “All-Staff Retail” system and live-streaming sales events, which efficiently boosted the overall online sales, alleviating pressures on offline stores and inventory. In addition, our synergistic capacity also empowered our supply chain platform, retail platforms and functional platforms. Concerted efforts between departments provided solutions that lifted our integrated value.

We believe that China’s huge domestic demand is a support for the enterprise’s development. As always, we are dedicated to perfecting every pair of shoes and every piece of sportswear, because we understand that whoever makes the first move swiftly in a crisis will be the first to outperform.

## **Multi-Brand Synergy and Benchmarking with High Standards**

Our mission is to integrate the sports spirit of “Going Beyond Oneself” to everyone’s daily life. No matter what brand we work with, or what position we are in, we must meet the highest standards. We also constantly review any internal problems and we push for our reforms and upgrades pragmatically. We continuously work on developing our brands to become bigger and stronger to compete against other global enterprises.

We have a dynamic product portfolio, which can satisfy various consumer needs in different scenarios and markets. In order to strengthen our operational model and integrated managerial systems to support our brands with higher

efficiency and penetrating different consumer groups through various channels. Meanwhile, we need to continuously optimize our multi-brand synergistic platforms and explore areas for development in terms of channels, digitalization, international brand operation, etc.

During our internationalization process, we dedicated ourselves to working together to highlight the Olympic spirit and encouraged people to fight against the Pandemic with a positive attitude. The Pandemic has not over, but the situations in many countries have been stabilized. Some countries are also able to recover their economies. We believe that as long as we can manage the current difficulties, we will be able to turn this crisis into opportunities, forging ahead with full power.

Last year, we joined hands with other investors to set up an investor consortium to successfully acquire Amer Sports. Afterwards, a strategic growth plan was set by the investor consortium for Amer Sports. We also had been selected as a constituent stock of HSCEI by Hang Seng Indexes Company Limited, becoming our important milestone, and demonstrating the capital market’s admiration for our achievements in business as well as the performance of our investor relations.

On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for your support. Furthermore, I would like to express our gratitude to the employees who have contributed to us throughout this challenging period. In the long term, we will continue to uphold the spirit of “Keep Moving” to ensure continuous and stable development with our partners, and create greater value for our shareholders.



Ding Shizhong  
Chairman  
Hong Kong, 25 August, 2020





# Management Discussion and Analysis

## Who We Are?

### BRAND-DRIVEN BUSINESS MODEL

A multi-brand company singly focusing on sportswear products

## What Are Our Target Markets?

### HIGH-END TO MASS MARKET



#### ANTA

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



#### ANTA KIDS

Kid's sportswear



#### FILA

Fashion sports clothing



#### FILA KIDS

Kid's fashion sports clothing



#### FILA FUSION

Youth's trendy clothing



#### DESCENTE

Functional sportswear for skiing, cross-training and running



#### SPRANDI

Stylish sneakers with comfortable technology



#### KOLON SPORT

Outdoor sportswear products



#### KINGKOW

Kid's fashion products

## What Retail Channels Do We Cover?



Online Stores



Street Stores



Shop-in-shops  
(Shopping Malls and Department Stores)



Outlets

## What Do We Do?

### SUPPLY CHAIN MANAGEMENT



In-house /  
Outsource Production



Raw Material Procurement /  
Fabric Sourcing

### BRAND MANAGEMENT



Sponsorship /  
Endorsement



Advertising /  
Marketing



Store Image /  
Product Display

### PRODUCT MANAGEMENT



R&D / Innovation



Design



Quality Control

### DISTRIBUTION NETWORK MANAGEMENT



Distributorship /  
Direct-to-Consumer



Monitoring of  
Store Operations  
via IT System



E-commerce



Logistics



Big Data /  
Retail Analytics



Consumer  
Experience

## Management Discussion and Analysis



With the Chinese consumer market rapidly changing across different segments, it was necessary to plan strategically according to the differences in demography, distribution channels and consumption capabilities. When facing such uncertainties, our will and perseverance

were essential in building up our confidence. By utilizing the concept of “Reconstruction of Mind”, we addressed various challenges in branding, product value, management structure, synergy innovation, strategic thinking, etc. We clarified the brand’s positioning from the perspective of

consumers and turned risks into opportunities. We also promoted changes in organizational capabilities and business models, took the lead in solving challenges, determined the right direction to take, and employed swift execution in order to stand out from the rest.

We quickly identified and closely followed trends in the market, grasping the wave of “Athleisure”, as well as the high demand for “Functional”, “Differentiated” and “Premiumized” products. As such, we made strategic adjustments in R&D, design, production and distribution, as well as pursued innovation and made changes in order to respond to market demand. As a result of these efforts, products were allocated appropriately through both online and offline channels, improving our brand reputation.

E-commerce and digitalization have rapidly developed amid advanced technological development, coupled with the execution of social distancing measures for Pandemic

control. According to the National Bureau of Statistics of China, the national sales turnover of online products increased 14.3% year-on-year in the first half of 2020. Online product turnover accounted for 25.2% of social consumption product turnover.

We tightly grasped market opportunities amidst the challenging environment and sped up our development in digitalization and e-commerce. During the period, we launched a brand new online workout campaign to interact with consumers by leveraging our brand endorsers and endorsed athletes to record short videos to promote workout at home.

During the period, ANTA was listed in the “Brand Finance Apparel 50 2020” for the fifth consecutive year, and improved its ranking to 18th, becoming the only Chinese sportswear brand on the list. In addition to this, ANTA was included in “Brand Finance Global 500” for the very first time. These achievements reflected ANTA’s solid development over the years and our leading position in the industry across several evaluation metrics, including brand equity, top-of-mind awareness, consumer preference and purchase rate, among others. We were also awarded the Bronze Award in the Financial Communication Category at the 2020 PR Awards Asia for the acquisition of Amer Sports. This was the largest acquisition in the Asian market in 2018/2019.





# Management Discussion and Analysis



水原希子  
Mizuhara Kiko

## Business Review

### 1. Continue to promote “Reconstruction of Mind” to Promote High-quality Growth

The Pandemic was an unprecedented challenge for the Chinese consumer market, as well as for the rest of the world. In the first half of 2020, it severely damaged the entire consumer industry, as well as the economic system. Challenges, however, always come with opportunities. We applied the strategic concept of “The Reconstruction of Mind” to promote high-quality growth. At the beginning of the Pandemic, we launched the “All-Staff Retail” system and have successfully driven up the performance of e-commerce sales. The system also enabled inventories to be shared between online and offline platforms, opening up the final frontier of our omni-channels, and accelerating the retail business of digitalization and retail upgrades. In a challenging environment, we have improved our distribution networks, maintained the quality of our products, strengthened our competitiveness, and has enabled our brands to penetrate further into different segments of the Chinese market. We continue to upgrade Group organizational structure in order to match the Group’s multi-brand strategy. The three major sports brand groups and the three major sharing platforms have achieved better synergistic benefits to lay a solid foundation for future growth. The Group’s brands have been sorted into three brand groups, namely Performance Sports Brands, Fashion Sports Brands, and Outdoor Sports Brand. The Performance Sports Brand Group includes ANTA, ANTA KIDS, and SPRANDI; the

Fashion Sports Brand Group includes FILA, FILA KIDS, FILA FUSION, and KINGKOW; and the Outdoor Sports Brand Group includes DESCENTE and KOLON SPORT.

## 2. Brand Management

### 2.1 ANTA

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

During the period, as the official sportswear partner of the COC, we maintained our support for Chinese athletes. We sponsored 27 Chinese national teams in winter sports, boxing, taekwondo, gymnastics, weightlifting, wrestling, judo, surfing, water polo, golf, etc. In January, the research laboratory for uniform and equipment for the Beijing 2022 Olympic and Paralympic Winter Games was officially opened. The opening of the laboratory led the preparation for the Winter Olympics staff uniform to a sprint stage. ANTA collaborated with the Beijing Institute of Fashion Technology and actively participated in the R&D and production of uniforms and equipment. Through a series of winter sporting competitions and Olympic testing events, we continuously reviewed the uniforms and equipment, which optimized and improved

product performance, and ensured comprehensive and reliable uniform and equipment support are being provided for the Beijing 2022 Olympic and Paralympic Winter Games.

In January, we kept up with the momentum of our collaboration with the Palace Museum by launching specialized products incorporating auspicious elements of Chinese New Year and the Palace Museum. ANTA also launched recyclable Dominance running shoes for the first time. In addition, the year 2020 marks a new era of Mars exploration. With this as inspiration, ANTA and NASA jointly launched the ANTA NASA A-CORE crossover running shoes. Using a new generation of A-FLASHFOAM material, the cushioning effect was better for running. In March, ANTA collaborated with Disney's Mulan to launch the ANTA "HOT" series, a range of Mulan special edition sneakers that promote the traits of loyal, courageous and contemporary women who embody the true spirit of Mulan.

In terms of basketball, ANTA continues to partner with ANTA basketball endorsers, namely Klay Thompson, Gordon Hayward, etc. During the period, ANTA held the "Shock the Game Basketball Tournament" in several cities including Guangzhou, Nanjing and Shanghai, in which professional basketball players were invited to participate in basketball competitions. In addition, we have launched a series of signature basketball shoes. It included the new colorways of GH1 and KT5 series, which had strengthened ANTA's reputation in the basketball market.

In April, ANTA upgraded the Hydrogen Running Shoes to version 2.0, which was equipped with FLASHLITE 2.0 ANTA Hydrogen Technology, in order to provide advanced support, breathability and abrasion resistance. Hydrogen Running Shoes 2.0 was extremely light weight and the sole came with additional non-slip rubber for improved grip, which effectively eliminated wrinkling and extended the life of the running shoes. The weight of ANTA's ultra-light sports air windbreaker was just 29.8 grams. The product was made of ultra-light nylon fibre, which had excellent waterproof properties and breathability.

Moreover, ANTA launched a crossover series with Sprite, which included footwear and apparel. With simple and casual designs, as well as popular elements from Sprite, the series aims to provide consumers with the cool, refreshing vibe associated with drinking Sprite on a hot summer day. This series included the signature color combination and elements of Sprite, using black, white and Sprite green as the main colors. Other sports footwear included ANTA National Tide Series in Tribute to Li Bai, the Dragon Ball Super series and the Jason Freeny x ANTA Running series. They were also popular among consumers and have been sold exceptionally well.

# Management Discussion and Analysis



## 2.2 ANTA KIDS

ANTA KIDS has been committed to providing sportswear products for children aged from 1 to 14, a kid's sportswear market in China that continues to show potential for high growth. The Chinese government's easing of the Family Planning Policy, the kidswear market should benefit and expand further. ANTA KIDS enjoyed the advantage of being an "Early-entry Trailblazer". The brand consistently promoted its philosophy of "Grow Up with Fun". In recent years, ANTA KIDS has been aiming to incorporate more of a "Fun" elements in the kids' growing journey through an integrated experience. In doing so, ANTA KIDS has successfully enhanced the desirability of its products among consumers and built professional sportswear products. It has secured a dominant position in the market, and hopes to seize even bigger market opportunities in the future.

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

In March, the famous mixed-race child model, Ella Gross, officially became the new generation of ANTA KIDS' endorsers, along with Zhang Yuexuan (Tian Tian), son of model Zhang Liang. They continued to encourage children to release their fun and energy and lead the future. The crossover products of ANTA KIDS and Marvel will always be trending items every season. During the period, we launched the enigmatic Black Panther crossover series "Panther Equipment", which broke fashion boundaries.

In June, ANTA Sports and the late legendary artist, Keith Haring's foundation launched a crossover series of products with a unique street graffiti style. The collection was colorful and bold, speaking to the idea of summer, and radiated the innocence of children. The red heart by Keith Haring was a wellness blessing to children and a perfect interpretation of street trends. At the same time, ANTA KIDS' first "Fun Sports Day" theme store in Yunnan opened. It continued to carry the spirit of "Fun" during the Pandemic and encouraged children to unleash their sporting talents; the sports accessories in the store could inspire children's enthusiasm, triggered their imaginations and encouraged them to actively tackle challenges.

### 2.3 FILA, FILA KIDS and FILA FUSION

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

In addition to series like FILA WHITE, FILA BLUE and FILA ORIGINALE, we continued to work with the distinguished fashion designer Phillip Lim to launch the latest FILA X 3.1 Phillip Lim Puzzle series, creating the trend in high-end sportswear. With FILA becoming a cornerstone of the Chinese market, accompanied by its celebrity endorsers, Gao Yuanyuan, Huang Jingyu and Wu Jinyan, the brand launched a range of collections during the period that expressed the brand's fashion philosophy while adapting to current trends and adding unique elements to its collections. FILA has launched a new series called FILA ORIGINALE, combining with vintage and street elements to enhance the brand's young and lively Italian style. FILA also launched a new series called FILA MODERN HERITAGE, using jacquard and luminous, mirage fabric, and water-soluble



fabrics to create a mix and match style. The FILA ATHLETICS YOGA collection gradually penetrated the yoga apparel market with functional cutting and high-quality fabrics. The collection also launched a "Refreshing Cross Training Series", which was equipped with elastic, quick dry functions, etc. FILA also arranged a live exercise "Breathable Sports" session with celebrity Carman Lee. Although FILA was well-known for launching exceptional apparel, FILA's shoe collections were also outstanding. The MIND ONE 2.0 series was re-launched in a new season with adding a vintage fashion element targeted at setting sportswear fashion trends and becoming a must-have item for fashion hipsters.

The FILA KIDS brand was launched in China in 2015 with the aim to provide high-end apparel and footwear for children aged between 3 and 15. Inheriting FILA's elegant and unique style, FILA KIDS has become widely popular in the kidswear market.

FILA KIDS has launched new collections of kidswear, including the new series FILA KIDS PERFORMANCE RUNNING, which allowed kids to exercise in comfort. We believe that FILA KIDS will maintain its growth momentum and make a significant contribution to FILA's overall sales.

FILA FUSION established its own stores in 2017. Japanese model Kōki, as FILA FUSION's Brand Ambassador, marking its proper entry into the market for youths aged between 15 and 25. FILA FUSION was characterized by its style that blended youth, sunshine and trendy sports, and has launched crossover series with multiple international renowned brands based on their unique styles, which have been warmly received by the market. FILA FUSION successfully further enhanced its brand image and recognition in the market.

# Management Discussion and Analysis



## 2.4 DESCENTE

Since late 2016, we have exclusively operated and engaged in the design, sale and operation of products bearing the “DESCENTE” trademark in Mainland China. DESCENTE focuses on high-end sportswear products, including skiing, cross-training, running and women’s fitness, among others. In the past three years, with over 80 years of brand history, DESCENTE has swiftly established its position in China’s market as a functional and professional sportswear brand. DESCENTE will continue to actively expand its retail market share in China’s high-end sportswear market.

During the period, DESCENTE cooperated with internationally renowned movie star



Daniel Wu, famous Chinese actress Xin Zhilei and golf athlete Li Haotong to promote the company's most popular product series, including ALLTERRAIN and MOTION KNIT. In addition, DESCENTE promoted the spirit of challenge in sports with the slogan "DARE TO MOVE". With the preparations for the Beijing 2022 Olympic and Paralympic Winter Games are well underway, winter sports in China are attracting worldwide attention. Under such favorable conditions, DESCENTE is focusing on the fast-growing winter sports market with its pioneering advantages and is striving to seize huge business opportunities in winter sportswear, thus becoming one of the most successful sports brands in China before the Beijing 2022 Olympic and Paralympic Winter Games.



## 2.5 KOLON SPORT

Since it was founded in 1973, KOLON SPORT has been promoting the development of an outdoor lifestyle and became a premium outdoor lifestyle brand, and has been operating in Mainland China and Hong Kong. In order to seize opportunities in the outdoor sports market, KOLON SPORT enhanced customer experiences through product innovation and upgrade of retail image. During the period, KOLON

SPORT cooperated with Seishin Matsui, a renowned fashion designer, to launch a specific printed apparel series, not only successfully attracting the interest of consumers, but also combining eco-friendly charity with outdoor scenes, which injected the attitude of advocating nature into the heart of people. We are confident that with the rise of middle class and the millennial generation, KOLON SPORT will expand its footprint in the outdoor sportswear market, creating profitability with increasing sustainability.



# Management Discussion and Analysis

## 3. Distribution Network Management

### 3.1 Omni-Channel Management

We believe that our Group can promote sustainable development through our high-quality suppliers and extensive retail network. We are continually improving our sales network, expanding our brand influence, and providing suppliers with operational assistance and training. We also organize annual distributor meetings and quarterly trade fairs in a regular basis, aiming to solidify good and stable relationships with suppliers and distributors, as well as significantly reduce operational risks. In addition, we continue to optimize our membership system to provide members with a more personalized retail experience, which enhances our customers' trust and loyalty to our brands.

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





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

During the period, ANTA's flagship store on Beijing's Wangfujing Pedestrian Street officially opened in June. Based on ANTA's new ninth-generation store design, the flagship store was incorporated in

upgrades which reflected the excitement of sports, youthfulness and Beijing's young and stylish trends. As at 30 June 2020, the total number of ANTA stores in Mainland China and foreign countries (including ANTA KIDS standalone stores) was 10,197 (end of 2019: 10,516). The total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) was 1,930 in Mainland China, Hong Kong, Macao and Singapore (end of 2019: 1,951) and the total number of DESCENTE stores was 145 in Mainland China (end of 2019: 136). The total number of KOLON SPORT stores was 155 in Mainland China and Hong Kong (end of 2019: 185).

### 3.2 Improving Retail Management Capabilities

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

With consumer-centric and retail-oriented strategies, we successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the period, we continued to work closely with our retailers to optimize



# Management Discussion and Analysis

retail management capabilities. In order to minimize the spread of the Pandemic amongst the public gathering, several regions were locked down. Therefore, most of the stores were closed and could not operate normally. We also cancelled some of our quarterly orders with distributors and launched inventory buyback and sales return during the period, and such products will be resold. Furthermore, by obtaining the real-time sales performance of all our retail stores, we were able to shorten delivery times and increase flexibility in stock

replenishment, making it easier to create a comprehensive plan for logistics, thus improving overall business performance.

Our brands can reach end customers through a nationwide retail network. Attractive store designs and unique shopping experiences play important roles in improving retail efficiency and increasing customer traffic. Following the launch of our ninth-generation stores in 2019, retail efficiency has seen further improvements, allowing us to provide customers with a

more comfortable, tailor-made shopping experience. Attractive store designs and a unique shopping experience help boost customer traffic, as well as strongly enhancing sales and store efficiency.

## 3.3 E-Commerce

As e-commerce gradually develops into a mature sector in the retail industry, we are continuously exploring and improving our e-commerce business. As technology develops, we believe enterprises must transform in a timely manner in order to tap into the increasingly important e-commerce market. The Pandemic has made e-commerce more important and formed a new consumption trend. We have conducted data analysis on consumers, fully taking the advantages of e-commerce brings.

We offered both exclusive online products and offline seasonal products, in order to cope with the changing shopping needs of online customers. Meanwhile, riding on online trending topics, we launched multiple crossover products, which continuously create trending topics. Furthermore, we worked with various renowned e-commerce platforms in China, such as Tmall, JD, Vipshop and Pinduoduo, to further boost the performance of e-commerce business.



During the early stage of the Pandemic, we utilized “All-Staff Retail” system, easing the pressure to offline store and inventory under the Pandemic. 2020 is the year of booming for live streaming in China. We have strived to develop our “Live-streaming + E-commerce” marketing model to boost online sales, providing different experiences for consumers. During several e-commerce events such as the “6·18” Shopping Festival, we achieved good results and hit new records. In the sportswear sector, ANTA, FILA and DESCENTE reached full coverage across all price levels by utilizing the multi-brand strategy. Blending e-commerce with social media will become a new marketing channel, which transforms viewership on social media platforms into consumer purchasing power. Our outstanding performance came primarily from our data analysis and data-driven marketing, together with very competitive products and constantly innovative marketing strategies, leading to successfully attract consumers.

E-commerce has developed into a comprehensive and interactive platform, bringing together the most convenient online shopping experiences, the most reliable delivery and after-sales services to consumers. Our online sales team has abundant experience and is always dedicated to attracting more online consumers by taking innovative measures to achieve their goals. We optimized the

interface of our online stores, improved the introduction of products and their exhibitions, and upgraded product search and display functions. In addition, we also implemented new regulations regarding the timing, priority and style of products launches for e-commerce, creating a synergy between online and offline retailers to achieve win-win situations and avoiding competing against each other.

Moreover, we maintained comprehensive customer services, including a payment safety programme, stable supply chain, express and convenient delivery services, a VIP membership system, as well as return and exchange guarantee policies, as we believe that positive feedbacks from our customers are helpful for building a good reputation. Along with the increased contribution from the e-commerce business, we will continue to explore more profitable market opportunities.



# Management Discussion and Analysis

## 4. Supply Chain Management

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

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

Since the early stage of the Pandemic, we carried out cost management and expenses control. At the same time, we took significant measures to avoid risks in terms of improving management efficiency and strengthening the resilience of the supply chain. Even though, like other companies, we were affected by the delayed resumption of work from factories after the Pandemic outbreak, but both of our own factories and OEM factories slowly resumed production in mid-February.

We strengthened our supply chain to effectively produce differentiated products. For instance, we revised our measure of performance based on an incentive system, to motivate suppliers to make improvements. Regarding the

requirements including health and safety, anti-discrimination and antichild labor, we created a metric system that integrates suppliers' performance and results. For those suppliers whose performances that continually improve, we will encourage and help suppliers apply for international accreditations. Over the long run, we reward those with high ratings with increased orders, additional resources and assistance.

Apart from maintaining close contact with suppliers, we also hosted several training camps and annual meetings with them to share our plans, and discuss trends within the industry. These initiatives encouraged suppliers to produce more innovative products. We have also further improved our supply chain to shorten production lead times, allowing us to be punctual in meeting consumer demand. In addition, we fully support our supply chain partners to enhance quality control and workflow efficiency, as well as improve their responsiveness to changing market conditions and demand. Subsequently, we are able to improve the growth prospects of our business.

We have strategically combined both inhouse and outsourced production to better respond to market conditions and changes in consumer preferences. To be more flexible in fulfilling replenishment orders and to 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 28.5% and 12.9% respectively out of our total quantities (2019 1H: 34.4% and 11.9%).

## 5. Quality Control

We strongly believe that quality control plays an important role in our daily operations. In this highly competitive industry, the key to strengthen market share is to design and manufacture comfortable, safe and high-quality sportswear products for consumers. We select our business partners through an extensive set of evaluation criteria. We monitor their operations through regular on-site inspections and performance management. All of our partners are required to acquire certifications in manufacturing and quality management systems.

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

We established strict codes and requirements for our suppliers in terms of environment, society and work. We also established a system to monitor our suppliers and to ensure a high standard of performance, as well as the maintenance of a stable supply chain. We also encouraged apparel suppliers to obtain the Bluesign® certificate.

To ensure that our suppliers follow our requirements, we conduct on-site inspections and provide performance statistics and summary on suppliers based on the contract period and past performance with us. We also developed the “QC Standards Management Measures” to assist our suppliers’ sustainable development. By standardizing the training agenda and operational standards of our suppliers, we aim to help them maintain an excellent and stable production with high quality. On the other hand, we have been strictly adhering to environmental protection-related regulations. We formulated a number of standard codes on design, procurement, production and retail.

## 6. Human Resources Management

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

To prevent our employees from infections in a labor intensive setting during the Pandemic, we closely monitored the latest situations and established proper disease prevention measures according to the advices from government and experts. We also provided proper disease prevention equipment to all employees, and established relevant work guidance to ensure all employees were clear about specific areas.

In addition, we offer our frontline employees competitive remuneration than our peers, targeting to create an understanding and joyful corporate culture, and maintain good communication with the employees. We also provide suitable technical training according to the needs of different positions in order to improve their abilities. We require employees to participate in regular assessments, making sure that they master the required skills. We provide employees with comprehensive benefits and protection, as well as sophisticated training programmes, in order to grant them appropriate opportunities to unleash their talents and full potential within their specific roles. We also value the needs of our employee’s family roles and try our best to coordinate and make appropriate arrangements according to their needs. As of 30 June 2020, we had approximately 32,000 employees (By the end of 2019: 30,800 employees).

## 7. Product Management and R&D

We always believe that technological innovation, original design and product safety are the keys to product differentiation. Product innovation is our most important investment, through which we can achieve sustainable and healthy growth in future. In addition to continuously strengthening designer resources, the ratio of R&D has also increased year-on-year. In order to have a better understanding of younger consumers, we set up a science laboratory in Jinjiang, with design teams consisting of talented designers around the world. In addition, we also have design offices in the US, Japan and Korea.

We became a member of The Better Cotton Initiative (BCI) in 2019 and were the first sportswear company in China to join the organization. This demonstrated our practice of achieving quality supply chain management and sustainable development. During the period, ANTA launched the first recyclable Dominance running shoes. The running shoes were composed of environmentally-friendly materials thus minimizing waste.



**Kōki,**  
Japanese model

# Management Discussion and Analysis

## Financial Review

### Revenue

#### Breakdown by Product Category

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

Six months ended 30 June					
	2020		2019		Changes (%)
	(RMB million)	(% of revenue)	(RMB million)	(% of revenue)	
Footwear	5,344	36.4	5,124	34.6	↑ 4.3
Apparel	8,807	60.0	9,151	61.8	↓ 3.8
Accessories	518	3.6	536	3.6	↓ 3.4
Overall	14,669	100.0	14,811	100.0	↓ 1.0

#### Breakdown by Segment

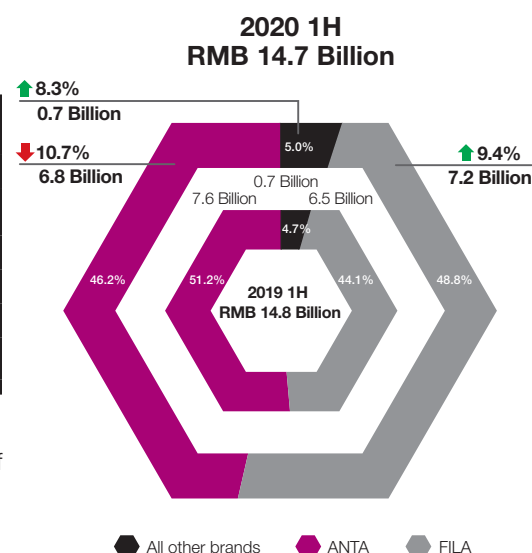
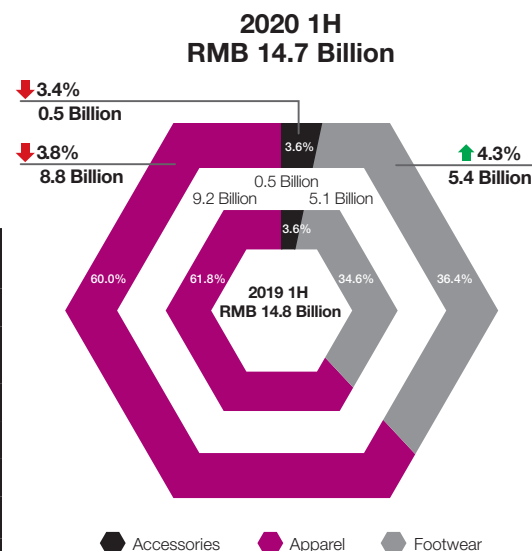
The following table sets out the Group's revenue by segment for the financial period:

Six months ended 30 June					
	2020		2019		Changes (%)
	(RMB million)	(% of revenue)	(RMB million)	(% of revenue)	
ANTA	6,777	46.2	7,590	51.2	↓ 10.7
FILA	7,152	48.8	6,538	44.1	↑ 9.4
All other brands	740	5.0	683	4.7	↑ 8.3
Overall	14,669	100.0	14,811	100.0	↓ 1.0

During the financial period, the Group's revenue decreased by 1.0% as compared with the same period of 2019 to RMB14,669 million (2019: RMB14,811 million).

ANTA segment contributed 46.2% of the overall revenue to the Group, the segment revenue decreased by 10.7% as compared with the same period of 2019 to RMB6,777 million (2019: RMB7,590 million). The decrease in ANTA segment revenue was mainly attributable to the proactive wholesale order cancellations due to the Pandemic, while partially offset by the growth of e-commerce.

FILA segment also contributed 48.8% of the overall revenue to the Group, the segment revenue increased by 9.4% as compared with the same period of 2019 to RMB7,152 million (2019: RMB6,538 million). The growth of FILA segment revenue was mainly attributed to the growth of e-commerce, while partially offset by the impact of temporary store closure during the Pandemic.



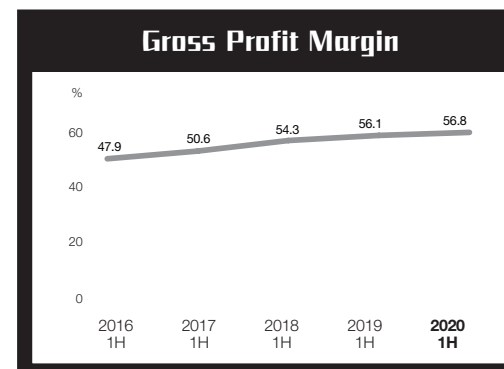
# Management Discussion and Analysis

## Gross Profit and Gross Profit Margin

### Breakdown by Product Category

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

Six months ended 30 June					
	2020		2019		Changes (% point)
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	
Footwear	2,754	51.5	2,540	49.6	↑ 1.9
Apparel	5,334	60.6	5,513	60.3	↑ 0.3
Accessories	251	48.5	249	46.4	↑ 2.1
Overall	8,339	56.8	8,302	56.1	↑ 0.7



### Breakdown by Segment

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

Six months ended 30 June					
	2020		2019		Changes (% point)
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	
ANTA	2,822	41.6	3,225	42.5	↓ 0.9
FILA	5,040	70.5	4,673	71.5	↓ 1.0
All other brands	477	64.5	404	59.1	↑ 5.4
Overall	8,339	56.8	8,302	56.1	↑ 0.7

During the financial period, the Group's overall gross profit margin increased by 0.7% point as compared with the same period of 2019 to 56.8% (2019: 56.1%). The increase in overall gross profit margin was mainly due to the increased contribution from FILA segment with relatively higher gross profit margin.

ANTA segment gross profit margin decreased by 0.9% point as compared with the same period of 2019 to 41.6% (2019: 42.5%). The slight decrease in gross profit margin was mainly attributable to (i) sales return and inventory buyback of certain products, and the subsequent resale at a lower gross profit margin under the wholesale model; and (ii) write-down of inventory under the impact of the Pandemic.

FILA segment gross profit margin decreased by 1.0% point as compared with the same period of 2019 to 70.5% (2019: 71.5%). The slight decrease in gross profit margin was mainly attributable to (i) increase in the retail discount through inventory clearance promotional campaign; and (ii) write-down of inventory under the impact of the Pandemic.

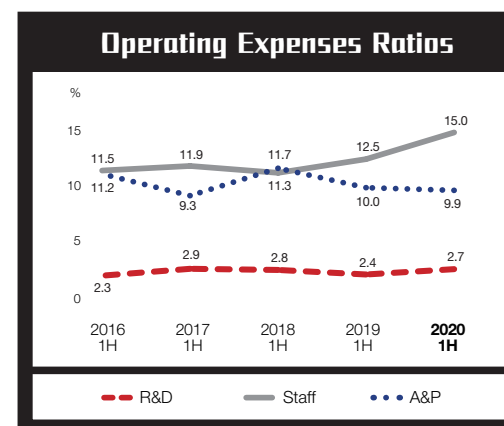
## Other Net Income

Other net income for the financial period amounted to RMB710 million (2019: RMB538 million), which mainly comprised of government grants of RMB668 million (2019: RMB520 million). The government grants were provided to the Group in recognition of its contribution towards the local economic development.

## Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue decreased by 0.1% point for the financial period mainly due to deferral of advertising and promotional activities as a result of the Pandemic. The ratio of staff costs to revenue

increased by 2.5% point mainly due to the facts that (i) the overall staff wages was higher than that in the same period of 2019, as there was new hiring in the second half of 2019 and early 2020 before the Group implemented temporary suspension in new recruitment and annual salary review in February 2020 under the impact of the Pandemic; and (ii) the cost related to equity-settled share-based payment transactions of awarded shares granted in November 2019 under the Group's share award scheme were partly amortized in the financial period. The ratio of R&D costs to revenue increased by 0.3% point due to the fact that the Group continued to enhance its overall R&D capability.



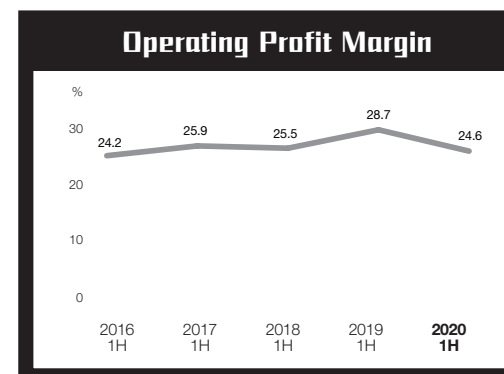
## Operating Profit and Operating Profit Margin

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

Six months ended 30 June					
	2020		2019		Changes (% point)
	Operating profit (RMB million)	Operating profit margin (%)	Operating profit/(loss) (RMB million)	Operating profit/(loss) margin (%)	
ANTA	1,805	26.6	2,442	32.2	↓ 5.6
FILA	1,766	24.7	1,894	29.0	↓ 4.3
All other brands	19	2.6	(79)	(11.6)	↑ 14.2
	<b>3,590</b>	<b>24.5</b>	4,257	28.7	↓ 4.2
Gain on disposal of partial interests in a joint venture	14	N/A	–	N/A	N/A
Overall	<b>3,604</b>	<b>24.6</b>	4,257	28.7	↓ 4.1

During the financial period, the Group's overall operating profit margin decreased by 4.1% point as compared with the same period of 2019 to 24.6% (2019: 28.7%). Both ANTA segment and FILA segment led to the decrease in overall operating profit margin.

The decrease in operating profit margin was mainly attributable to the increase in operating expenses ratio (as a percentage of revenue) as a result of the increase in loss allowance in respect of trade receivables and overall staff costs.





# Management Discussion and Analysis

## Net Finance Costs

Total interest income for the financial period amounted to RMB134 million (2019: RMB76 million). The increase was mainly driven by the increase in average bank deposit balances as compared with the same period of 2019.

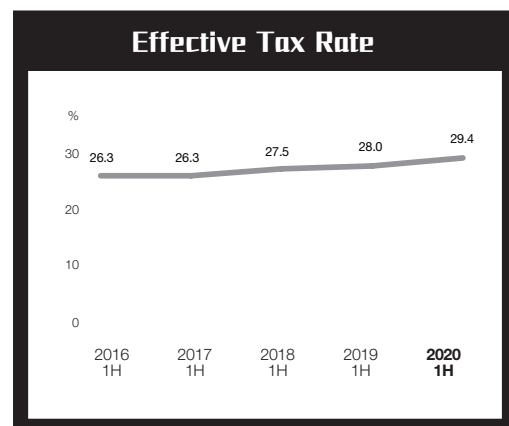
Total interest expenses (excluding interest expense on lease liabilities) amounted to RMB142 million (2019: RMB60 million) for the financial period.

The increase was mainly driven by the increase in average amount of bank loans and the convertible bonds issue during the financial period.

Interest expense on lease liabilities under IFRS/HKFRS 16 amounting to RMB58 million was recorded during the financial period (2019: RMB49 million).

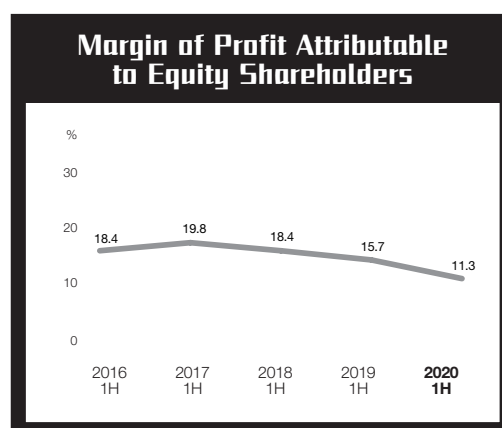
## Effective Tax Rate

Effective tax rate (without the effect of share of loss of a joint venture) was 29.4% for the financial period (2019: 28.0%). The increase was mainly due to tax effect of unused tax losses not recognized in respect of certain losses making operations under the Pandemic, and the increase in non-deductible expenses in relation to interest expenses.



## Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 4.4% point to 11.3% for the financial period. It was mainly due to (i) the 4.1% point decrease in operating profit margin; (ii) the increase in interest expenses and (iii) share of loss of a joint venture.



## Write-down of Inventories

Inventories are stated at cost or net realizable value, whichever is lower. In the event that net realizable value falls below cost, the difference is taken as write-down of inventories and charged to profit or loss. During the financial period, write-down of inventories amounting to RMB84 million was charged to profit or loss (2019: RMB24 million). The increase in write-down of inventories was due to the decrease in net realizable value of inventories under the Pandemic.

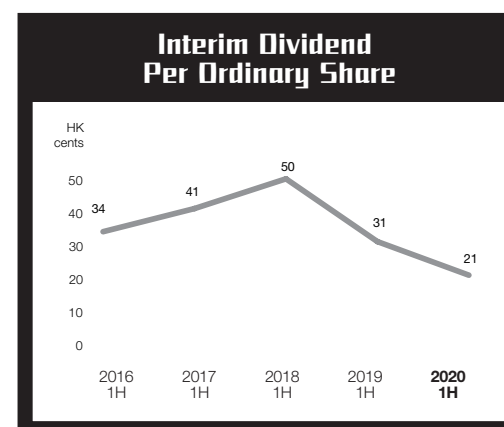
## Impairment Loss of Trade Receivables

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 period,

impairment loss for trade receivables amounting to RMB41 million was charged to profit or loss (2019: reversal of impairment loss for trade receivables amounting to RMB18 million was credited to profit or loss). The increase in loss allowance in respect of trade receivables was due to the increase in expected loss rate under the impact of the Pandemic, as the Group provided flexibility on credit period to distributors.

## Dividends

The Board has declared an interim dividend of HK21 cents per ordinary share in respect of the financial period, representing a payout of RMB516 million (2019: RMB764 million), or a distribution of 31.1% (2019: 32.9%) of the current period's profit attributable to equity shareholders.



## Liquidity and Financial Resources

As at 30 June 2020, the cash and cash equivalents of the Group amounted to RMB14,596 million which were mainly denominated in RMB, HKD, USD and EUR, representing an increase of RMB6,375 million as compared with the cash and cash equivalents of RMB8,221 million as at 31 December 2019. This is mainly attributable to:

- Net cash inflow from operating activities amounted to RMB2,395 million, which was slightly lower than the profit for the period (excluding the effect of share of loss of a joint venture) and represents the healthy cash generation capability of the Group under the Pandemic.

- Net cash outflow from investing activities amounted to RMB2,953 million, including mainly capital expenditures of RMB511 million, proceeds from disposal of partial interests in a joint venture of RMB235 million, net placements of fixed deposits held at banks with maturity over three months of RMB2,433 million and net payments of other investments of RMB287 million.
- Net cash inflow from financing activities amounted to RMB6,681 million, mainly including payment of the final dividends in respect of the financial year 2019 amounting to RMB903 million, net drawdown of bank loans amounting to RMB11 million, payments of interest expenses on bank loans amounting to RMB116 million, net proceeds from bills of exchange amounting to RMB1,000 million, net proceeds from issuance of convertible bonds amounting to RMB7,678 million, payment of lease liabilities amounting to RMB584 million and payment for shares purchased under share award scheme amounting to RMB368 million.

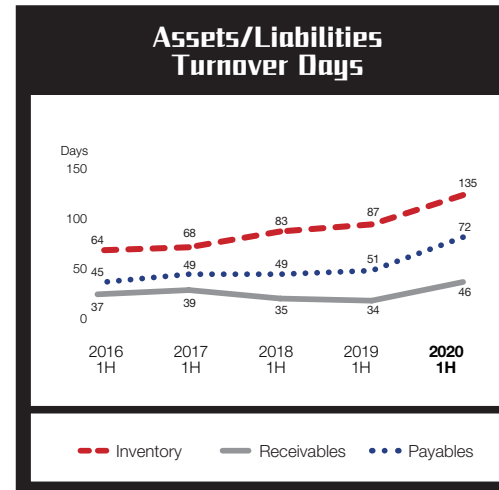
As at 30 June 2020, total assets of the Group amounted to RMB49,525 million, of which current assets were RMB32,507 million. Total liabilities and non-controlling interests were RMB28,238 million and total equity attributable to equity shareholders of the Company amounted to RMB21,287 million. The Group's gearing ratio was 36.0% as at 30 June 2020 (as at 31 December 2019: 22.3%), being a ratio of sum of convertible bonds (liability component), bank loans and bills payable (financing in nature) to total assets. The convertible bonds (liability component) were denominated in EUR, measured at amortized cost and repayable in more than one year (subject to the early redemption provision under the terms and conditions). The bank loans were denominated in

	2020 (RMB million)	2019 (RMB million)
<b>Six months ended 30 June</b>		
Net operating cash inflow	2,395	3,441
Capital expenditures	(511)	(740)
Others	18	–
<b>Free cash inflow</b>	<b>1,902</b>	2,701
<b>As at 30 June/31 December</b>		
Cash and cash equivalents	14,596	8,221
Fixed deposits held at banks with maturity over three months	6,963	4,382
Pledged deposits	1	4
Less: borrowings		
– Convertible bonds (liability component)	(7,522)	–
– Bank loans	(8,105)	(8,003)
– Bills payable (financing in nature)	(2,200)	(1,200)
<b>Net cash position</b>	<b>3,733</b>	3,404

EUR, RMB, HKD or USD and measured at amortized cost. 6% of bank loans were at fixed rate and 22% of bank loans were repayable within one year. Bills payable (financing in nature) were bills of exchange which were denominated at RMB, measured at amortized cost and repayable within one year.

### Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 48 days due to the increase in inventories arising from sales return and inventory buyback during the financial period. The average trade receivables turnover days increased by 12 days and the average trade payables turnover days increased by 21 days. The turnover ratios were within management's expectation and at acceptable levels under the impact of the Pandemic.



### Pledge of Assets

As at 30 June 2020, the Group had bank deposits of RMB1 million (as at 31 December 2019: RMB4 million) pledged as security for certain contracts.

# Management Discussion and Analysis

## Financial Management Policies

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

## Significant Investments and Acquisitions

### Investment in a Joint Venture of AS Holding

At 30 June 2020, the Group has an investment in a joint venture of AS Holding.

Amer Sports is wholly-owned by AS Holding and is a sporting goods company with internationally recognized brands including Salomon, Arc'teryx, Peak Performance, Atomic, Suunto, Wilson, Precor, etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase the enjoyment of sports and outdoor activities. Amer Sports' business is

balanced by its broad portfolio of sports and products and a presence in all major markets. Shares of Amer Sports were delisted from the Nasdaq Helsinki Stock Exchange (stock code: AMEAS) on 4 September 2019 under applicable laws. A strategic growth plan was set by the investor consortium for Amer Sports to unlock the full potential of its internationally recognized sportswear and equipment brands, and the Group has strong belief in the future success of Amer Sports.

The Group accounts for AS Holding as an investment in a joint venture using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards, as decisions about certain key activities of AS Holding require the consent of directors nominated by other shareholders. Summarized consolidated financial information of AS Holding, based on the latest available information to the Company and following the accounting policies adopted by the Group, are disclosed below:

	<b>For the six months ended 30 June 2020 (RMB million)</b>	From 26 March 2019 to 30 June 2019 (Restated) (RMB million)
Revenue	7,164	3,964
Net loss	(1,365)	(1,124)
Other comprehensive loss	(55)	(146)
Total comprehensive loss	(1,420)	(1,270)

	<b>As at 30 June 2020 (RMB million)</b>	As at 31 December 2019 (RMB million)
Total assets	57,579	59,176
Total liabilities	(39,098)	(39,573)
Total equity	18,481	19,603

During the financial period, net loss on AS Holding (on a consolidated basis) of RMB1,365 million recorded for the financial period was within our expectation under the impact of the Pandemic.

At 30 June 2020, the Group effectively held 526,962 shares or 52.70% interest in AS Holding. The carrying amount of the investment in the joint venture was RMB9,739 million, representing 20% of the total assets of the Group.

### Disposal of Partial Interests in a Joint Venture

On 17 January 2020, the Group completed a transaction with Sequoia Jingyuan (Xiamen) Equity Investment Partnership (Limited Partnership) and effectively disposed 1.12% economic interest in AS Holding with proceeds of approximately RMB235 million and a gain of approximately RMB14 million.

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

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

## Capital Commitments, Contingencies and Guarantee

### Capital Commitments

As at 30 June 2020, the Group had capital commitments of RMB1,410 million, primarily relating to construction of Shanghai ANTA Centre and decoration of a new office building in Xiamen and retail stores.

### Contingencies

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

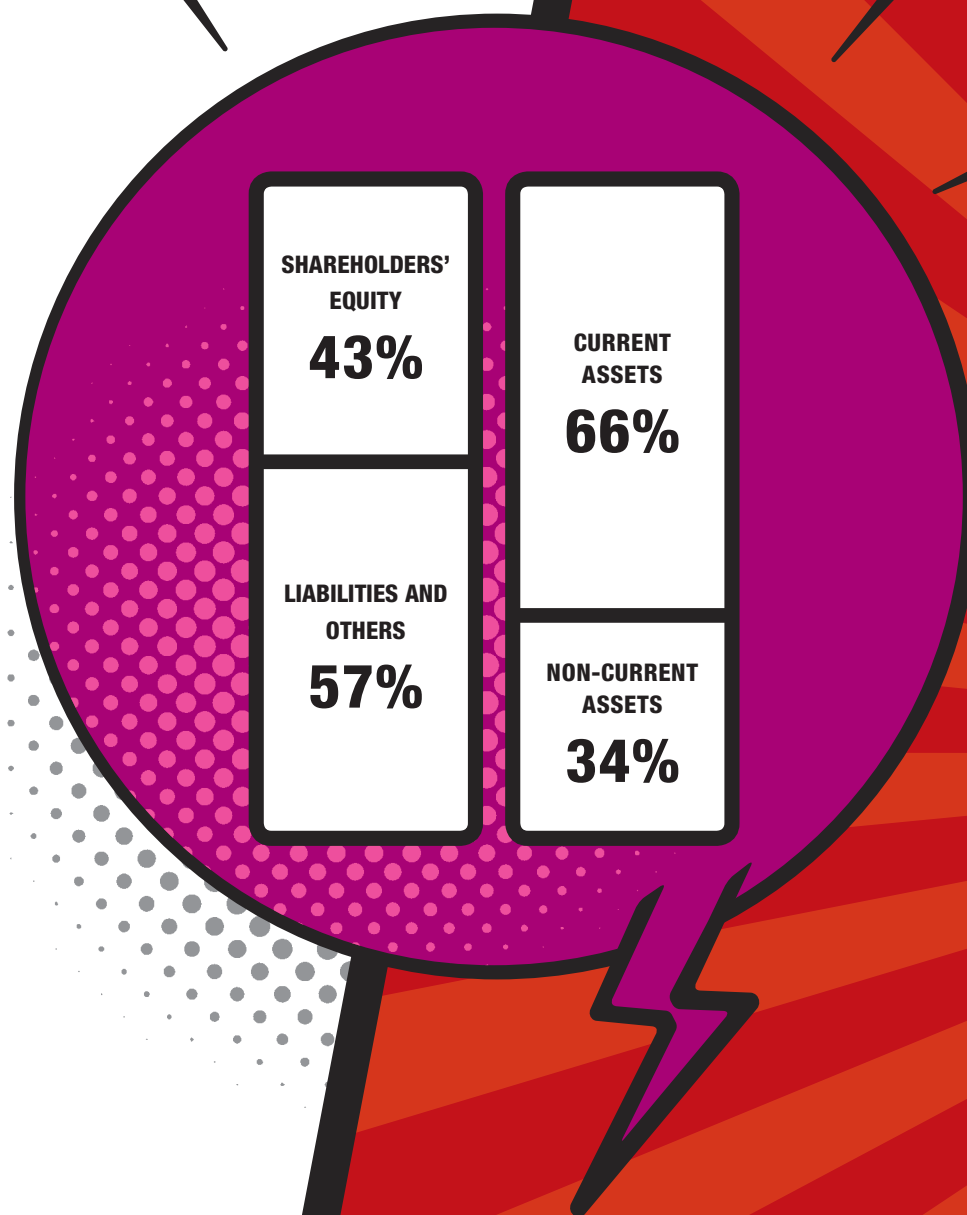
### Guarantee

A 5-year EUR1,300 million term loan facility ("Facility A") was provided by independent third party bank lenders to AS Holding for the purpose of, amongst other things, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) refinancing of any indebtedness of Amer Sports in connection with the acquisition of shares of Amer Sports. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of AS Holding to the arrangers, the lenders and the agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. As at 30 June 2020, Facility A has been fully drawn by AS Holding.

Saved as disclosed above, as at 30 June 2020, the Group did not provide any form of guarantee for any company outside the Group.

## Subscription of New Shares By Connected Person

In 2019, the Company and Anamerad Investments Inc. (the "Subscriber") completed a subscription agreement pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 15,842,000 new ordinary shares of the Company in cash at the subscription price of HK\$49.11 per Share (the "Subscription"). The Subscriber is a connected person of the Company at the subsidiary level under the Listing Rules.



**Strong Financial Position**

**49,525**

**Total assets (RMB million)**

# Management Discussion and Analysis

The gross and net proceeds from the Subscription were approximately HK\$778 million (equivalent to RMB692 million). The net proceeds were fully utilized as general working capital of the Group during the financial period.

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

## Zero Coupon EUR1 Billion Convertible Bonds Due 2025

During the financial period, the Group issued zero coupon convertible bonds due 2025 in the aggregate principal amount of EUR1 billion (the “Bond Issue”), which were listed on the Singapore Stock Exchange. The issue price was 100.25% of the principal amount of the convertible bond. The convertible bonds may be converted into ordinary shares of the Company pursuant to its terms and conditions. Based on the initial conversion price of HK\$105.28 per conversion share (subject to adjustment) and assuming full conversion of the convertible bonds, the convertible bonds would be convertible into 82,129,559 conversion shares.

The Board considered the Bond Issue could provide the Group with additional funding at lower cost to repay its existing debts and optimize its financing structure, to further strengthen the working capital for the Group, as well as potentially enhance the equity base of the Company.

As of 30 June 2020, an aggregate principal amount of EUR1 billion of the convertible bonds was outstanding and, based on the latest conversion price per conversion share of HK\$104.68, would be convertible into 82,600,306 conversion shares.

The gross and net proceeds from the Bond Issue were approximately EUR1,003 million (equivalent to RMB7,681 million) and EUR1,002 million (equivalent to RMB7,678 million) respectively. Up to 30 June 2020, the Group has not used any net proceeds from the Bond Issue. The Company intends to use the net proceeds for the refinancing of existing debt, working capital and other general corporate purposes.

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

## Reorganization of DCH

Descente China Holding Limited (“DCH”, a subsidiary of the Company) is a joint venture company and is currently owned as to 60% by the Group, 30% by Descente Global Retail Limited, a wholly-owned subsidiary of Descente Ltd. (collectively “Descente Global”) and 10% by Itochu Textile Prominent (Asia) Limited, a wholly-owned subsidiary of Itochu Corporation (collectively “Itochu”). DCH is holding the entities which operate the DESCENTE business in Mainland China, Hong Kong and Macao (collectively the “Territories”). The existing trademarks and other relevant intellectual properties rights for Descente brand business in the Territories (the “China IP”) is wholly owned by Descente Global.

On 15 July 2020, the Group, Descente Global and Itochu have entered into certain agreements for the proposed reorganization of DCH and ownership of interest of China IP which involve (among other steps):

- (1) the injection of China IP into a newly set up entity wholly-owned by Descente Global (“IP SPV”);
- (2) the injection of 90% interests in IP SPV into DCH by Descente Global; and
- (3) the increase in shareholding of Descente Global in DCH.

Upon completion of the aforesaid reorganization, DCH would be owned as to 54% by the Group, 40% by Descente Global and 6% by Itochu. The China IP would be wholly owned by IP SPV, and IP SPV would be owned as to 90% by DCH and 10% by Descente Global.

The Board believes that the proposed transactions including the injection of interest in IP SPV and China IP into DCH would promote acceleration and expansion of the DESCENTE business in China. The transactions are subject to satisfaction of certain conditions, including the injection of China IP to IP SPV, and are expected to be completed by the end of 2020.

For further details for the transactions, please refer to the announcement of the Company dated 15 July 2020.

## Medium Term Notes Issue and Super Short-term Commercial Papers Issue

In August 2020, the Group successfully registered for the proposed issue of interest-bearing medium term notes in an aggregate principal amount of up to RMB8 billion and interest-bearing super short-term commercial papers in an aggregate principal amount of up to RMB4 billion on the National Association of Financial Market Institutional Investors. The proceeds from the medium term notes issue and the super short-term commercial papers issue are intended to be used, including but not limited to, for repayment of borrowings and as general working capital of the Group. The Board believes that participating in the China bond market will diversify funding channels of the Group, and will optimize the Group’s debt structure.

In August 2020, the Group completed the issuance of a tranche of medium term notes, with an aggregate principal amount of RMB1 billion, with a coupon rate 3.95% per annum. The medium term notes will mature in 3 years from the issue date.

## Prospect

### Never surrender amid the Pandemic, overcoming difficulties and turning them into opportunities with resilience

In the first half of 2020, the Pandemic was gradually under control in China, with social and economic orders progressively restored. However, in some other countries and regions, the Pandemic re-emerged, bringing back social distancing measures in order to contain and limit the spread of the Pandemic. It is very likely that in the foreseeable future, the Pandemic prevention and control will be normalized after the resumption of work, while the global economy will face many challenges. However, according to economic data, China has become the first major economy to recover from negative growth. Data from the National Bureau of Statistics of China showed that China's GDP in the second quarter of 2020 has recorded an increase of 3.2% compared with the same period of last year. This showed that China's economy was moving forward and achieving high-quality growth.

While economic and societal recovery are now in motion, the sports industry is re-entering people's lives in a brand new form. While the Pandemic is temporary, it will allow the sports and health industries to unleash the potential of long-term development, creating a historic opportunity for the industry and enterprises to reform and innovate. These factors will accelerate the industries' transformation and integration in the post-Pandemic era. In terms of market potential and consumer demand, sports will continue to be an important part of consumers' lives. Therefore, the sportswear industry is still outperforming in the consumer market, and will unleash greater power once the challenges of the Pandemic have passed.

Against the crisis, an outstanding enterprise should be actively reviewing its own problems and accurately identifying where it falls short. It will also fearlessly exercise necessary reforms and grasp any new opportunities. Particularly, during sudden black swan events, an enterprise needs to adjust its operational direction in a timely manner, making swift changes and adopt dynamic management approach. Since the start of the Pandemic outbreak in late January, we swiftly developed contingency plans and adopted proper measures. All of our employees proactively made qualitative change through being proactive. Looking forward to the second half of the year, we will continue to prepare for the long-term battle, while at the same time maintain our value. We will uphold our responsibility to our employees, the society and consumers, taking initiatives to promote necessary changes.

### Reconstruction of Mind, Taking a Consumer-Centric Approach to Embracing Retail Channel Reform

While the Pandemic was a challenge, it was also an opportunity for reform. As China's leading sportswear enterprise, we proactively took steps at the beginning of the Pandemic outbreak. Fearlessly facing the crisis, we worked efficiently with all

stakeholders and coordinated all employees in the front, middle and back offices. We worked together to restructure our operational model with new business minds, successfully mitigating any major risks.

The post-Pandemic era creates opportunities for long-term change in economic status and consumption habits, giving enterprises impetus to redefine the concept of "Customers, Products and Channels". However, the consumer-centric approach remains the only core element that will never change amid such reforms. Consumers expect to enjoy better consumption experiences, integrating online and offline channels, which creates a faster and more convenient experience and service. We will continue to make consumers our top priority, utilizing digitalization and the membership system to study the consumer matrix and their demands, which will accelerate our connection with different positioned target audiences. We will adopt various measures to enhance our communication with consumers, analyzing consumers' characteristics in detail, including their price sensitivity, age, preferences and so on. This will be helpful to profile our customers, which allow us to create consumer experiences that are more closely integrated with what consumers want and need.



# Management Discussion and Analysis

We will continue to improve on our products, retail and brand power, by continuously launching competitive and technologically advanced products and by using innovative marketing campaigns. This will help our brands to enhance our connections and interactions with every consumer group, gradually becoming the most favorite sportswear brands for consumers. In addition, we will further enhance the organizational structure and synergistic advantages among our brands, in order to benefit from the greatest synergy in terms of retailing, logistics, supply chains and back-end platforms. We will also enhance our investment in our brands' direct-to-consumer ("DTC") model, which helps our brands becoming more directly accessible to the consumers. We believe that the DTC model will be helpful in optimizing resources through the dimensions of "Customers, Products and Channels", which compiles a flow of information from the production end to the consumers end in the value chain. This will help us better grasp the change of market demand in time, so that we will be able to manufacture high-quality products. Riding on a more concise channel structure, we will be able to utilize more convenient methods with a lower channel cost for initiating and upgrading the whole value chain. Ultimately, this can achieve our initiative to deliver high quality products to our customers.

## Leading innovation with talents, making Chinese brands famous in the world

Our vision is "To become a respectable world-class, multi-brand sportswear group". With the philosophy of "Entrepreneurship, Innovation and Creation", we have established a mechanism of brand development driven by technological innovation. We realized that we need to stick to our main business scope in order to amplify brand awareness, which requires setting ourselves a world-class vision and benchmark with high standards. Looking back to

our development history of approximately 30 years, the Group has transformed from a traditional private enterprise into an international company with a modern managerial structure and competitiveness. We embrace the international and diverse cultures to mix with Chinese culture through constant reforms and inheritance. This has developed our corporate culture with the characteristics of "Keep Moving".

Talent diversity, youthfulness and internationalization are the key drivers of an enterprise's sustainable development. Talents with international and diverse backgrounds are able to introduce global vision and professional capabilities, especially in improving our product and brand power, and to help us to lead amongst competing international brands. As early as a decade ago, we took steps towards the internationalization of our talents. With our "Keep Moving" motto, we have been hiring talented individuals with international backgrounds and cultures in an open-minded approach. Talent internationalization reflects our efforts to upgrade, which is also the process to our high-speed development. This empowers us a stronger sense of international competitiveness, in order to steadily achieve globalization.

So far, we have established design centres in the United States, Japan and South Korea. We will continue to invest more in R&D and digitalization. We will also continue to optimize our organisational structure, integrating the three modules of talents, culture and enterprise structure. We will integrate Chinese philosophy and culture with international managerial thinking and methods. Under the new corporate culture, we can amplify our confidence to become a powerful competitor in the global market.

## Leading "New Retail" with globalization and digitalization strategies

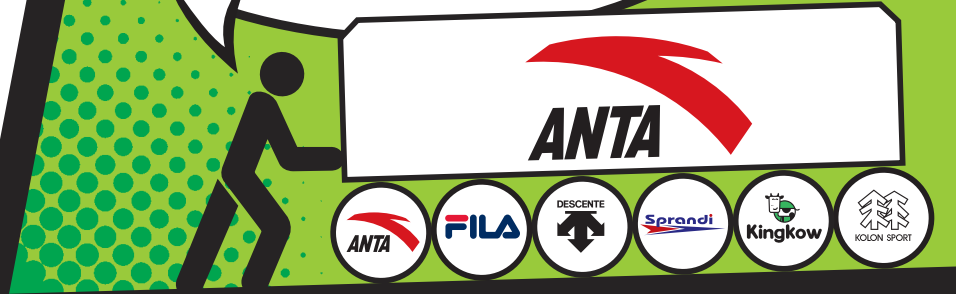
Embracing the new normal that resulted by the Pandemic, we have made consumer-centric digitalized transformation and "New Retail" as our key projects in 2020. We will establish CRM platform for our omni-channel and multi-brand features, enhancing brand loyalty and achieving precise marketing. At the same time, each business unit will fully empower the digital breakthroughs of our three brand groups, opening up digital operations with the entire process and full value chain in order to improve refined management and operational capabilities. In terms of retail channels, we plan to reconstruct our growth model by utilizing various data to enhance offline business management. We will also apply big data to our traditional e-commerce platforms. From viewership traffic operation to consumer operation, we will pay attention to the depth and width of these interactions, with the aim of achieving high quality growth.

The Tokyo 2020 Olympic Games has been postponed due to the Pandemic, but we are still proactively planning the Beijing 2022 Olympic and Paralympic Winter Games, providing equipment support and R&D for the Chinese national team. In July, ANTA launched the licensed collection of the Beijing 2022 Olympic and Paralympic Winter Games national flag-themed sportswear, showing China's national image to the world, invigorating a sense of national spirit, and spreading the Olympic spirit. We sincerely hope that this product series will enter every person's life and become a symbol of confidence for Chinese people.

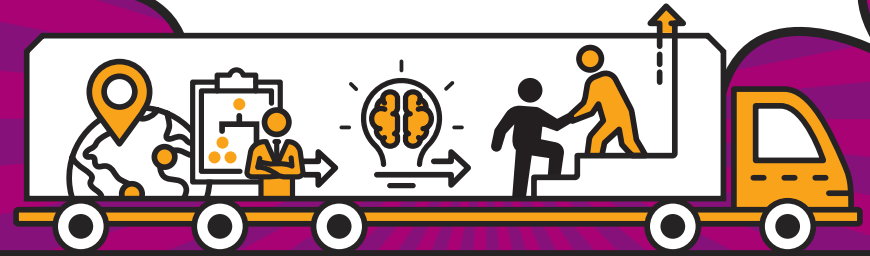
The global Pandemic inevitably caused certain impacts on Amer Sports, whose business widely spread across the global market. However, in the early stages of the Pandemic outbreak, we put our efforts together with other investors in the consortium and the management of Amer Sports, to forge ahead on the path to recovery. We are confident, with the potential acceleration of market consolidation, in which it will be beneficial for the leading brands to further gain market share. Meanwhile, as more people continue to pursue healthy and hygienic lifestyles, the fundamentals of the industry would remain strong, so we are confident of our future development.

By the end of 2020, we expect the total number of ANTA stores (including ANTA KIDS standalone stores) in Mainland China and foreign countries to reach 9,800-9,900, and the total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) in Mainland China, Hong Kong, Macao and Singapore to reach 2,000-2,100. The reorganization of DCH (and the China IP) is expected to be completed by the end of 2020. DESCENTE will continue to deeply penetrate the first and second tier cities in Mainland China and Hong Kong, focusing on opening stores in premium locations to upgrade the brand's market status. DESCENTE is expected to have 180-190 stores in Mainland China and Hong Kong by the end of 2020. KOLON SPORT is expected to have a total of 150-160 stores in Mainland China and Hong Kong by the end of 2020.

Multi-brand synergistic platform create stronger tie between each brand that will empower each individual



Inheriting good corporate culture, we introduce talents with international and diverse backgrounds so as to optimize organizational structure



We reconstruct our minds by taking consumer-centric approach, apply digitization and direct-to-consumer model to penetrate "Customers, Products and Channels"



We are the first Chinese sportswear company for establishing an international partnership with the World Wide Fund for Nature (WWF), aiming to coordinate other stakeholders to jointly promote environmental conservation



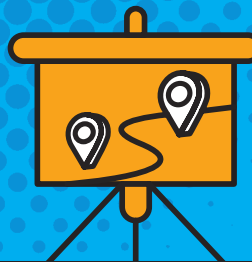
Improving store efficiency and management, meeting consumer demands by omni-channel strategy  
Target number of stores by the end of 2020:

ANTA and ANTA KIDS:  
9,800-9,900


FILA, FILA KIDS and FILA FUSION:  
2,000-2,100

DESCENTE:  
180-190

KOLON SPORT:  
150-160





A photograph of actress Wu Jinyan. She is wearing a white t-shirt with a repeating pattern of the FILA logo and the words 'CON AMORE'. She is also wearing a dark blue fanny pack. She is leaning against a red convertible car with orange leather seats. The background features a large graphic of the FILA logo and a stylized blue and red starburst shape on a pink background.

**Wu Jinyan**  
Renowned Chinese actress

# Independent Review Report of the Auditors



To the Board of Directors of

**ANTA Sports Products Limited**

*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 40 to 64 which comprises the condensed consolidated statement of financial position of ANTA Sports Products Limited as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof, and to be in compliance with either International Accounting Standard 34 “*Interim Financial Reporting*” issued by the International Accounting Standards Board or Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants, depending on whether the issuer’s annual consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”) or Hong Kong Financial Reporting Standards (“HKFRSs”). As the annual consolidated financial statements of ANTA Sports Products Limited are prepared in accordance with both IFRSs and HKFRSs, the directors are responsible for the preparation and presentation of the interim financial report in accordance with both International Accounting Standard 34 and Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34, “*Interim Financial Reporting*” and Hong Kong Accounting Standard 34, “*Interim Financial Reporting*”.

A handwritten signature in black ink that reads 'KPMG' in a stylized, cursive font.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince’s Building

10 Chater Road

Central, Hong Kong

25 August 2020

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'million	2019 RMB'million (restated)
<b>Revenue</b>	3(a)	<b>14,669</b>	14,811
Cost of sales		<b>(6,330)</b>	(6,509)
<b>Gross profit</b>		<b>8,339</b>	8,302
Other net income		<b>710</b>	538
Selling and distribution expenses		<b>(4,395)</b>	(4,123)
Administrative expenses		<b>(1,050)</b>	(460)
<b>Profit from operations</b>		<b>3,604</b>	4,257
Net finance (costs)/income	4	<b>(65)</b>	9
Share of loss of a joint venture		<b>(719)</b>	(651)
<b>Profit before taxation</b>	5	<b>2,820</b>	3,615
Taxation	6	<b>(1,040)</b>	(1,193)
<b>PROFIT FOR THE PERIOD</b>		<b>1,780</b>	2,422
<b>Other comprehensive income/(loss) for the period</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		<b>157</b>	(14)
Share of other comprehensive income/(loss) of a joint venture		<b>21</b>	(65)
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI") – net movement in fair value reserve (non-recycling)		<b>4</b>	16
Share of other comprehensive loss of a joint venture		<b>(50)</b>	(20)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,912</b>	2,339
<b>PROFIT ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		<b>1,658</b>	2,323
Non-controlling interests		<b>122</b>	99
<b>PROFIT FOR THE PERIOD</b>		<b>1,780</b>	2,422
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>			
Equity shareholders of the Company		<b>1,790</b>	2,240
Non-controlling interests		<b>122</b>	99
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,912</b>	2,339
<b>Earnings per share</b>	7	<b>RMB cents</b>	RMB cents
– Basic		<b>61.63</b>	86.56
– Diluted		<b>61.35</b>	86.48

Comparative information has been restated as a result of the completion of the accounting for the business combination of the Group's joint venture. See note 12.

The accompanying notes on pages 45 to 64 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 21(k).

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020 – unaudited  
(Expressed in Renminbi)

	Note	30 June 2020 RMB'million	31 December 2019 RMB'million (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	2,174	2,148
Right-of-use assets	9	2,929	3,237
Construction in progress	10	445	421
Prepayments for acquisition of land use rights and other non-current assets		55	53
Intangible assets	11	686	678
Investment in a joint venture	12	9,739	10,551
Other investments	13	68	64
Deferred tax assets	20(b)	922	746
<b>Total non-current assets</b>		<b>17,018</b>	17,898
<b>Current assets</b>			
Inventories	14	5,004	4,405
Trade receivables	15	3,539	3,896
Other current assets	15	2,114	2,412
Other investments	13	290	–
Pledged deposits	16	1	4
Fixed deposits held at banks with maturity over three months	17	6,963	4,382
Cash and cash equivalents	17	14,596	8,221
<b>Total current assets</b>		<b>32,507</b>	23,320
<b>Total assets</b>		<b>49,525</b>	41,218
<b>Current liabilities</b>			
Borrowings	18	4,000	2,559
Trade payables	19	2,080	2,963
Other current liabilities	19	4,395	4,621
Lease liabilities		829	1,018
Amounts due to related parties	24(b)	25	26
Current taxation	20(a)	1,009	1,225
<b>Total current liabilities</b>		<b>12,338</b>	12,412
<b>Net current assets</b>		<b>20,169</b>	10,908
<b>Total assets less current liabilities</b>		<b>37,187</b>	28,806

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020 – unaudited  
(Expressed in Renminbi)

	Note	30 June 2020 RMB'million	31 December 2019 RMB'million (audited)
<b>Non-current liabilities</b>			
Borrowings	18	13,827	6,644
Lease liabilities		627	845
Deferred tax liabilities	20(b)	363	256
<b>Total non-current liabilities</b>		<b>14,817</b>	7,745
<b>Total liabilities</b>		<b>27,155</b>	20,157
<b>Net assets</b>		<b>22,370</b>	21,061
<b>Equity</b>			
Share capital	21(a)	261	261
Reserves	21	21,026	19,821
<b>Total equity attributable to equity shareholders of the Company</b>		<b>21,287</b>	20,082
<b>Non-controlling interests</b>		<b>1,083</b>	979
<b>Total liabilities and equity</b>		<b>49,525</b>	41,218

The accompanying notes on pages 45 to 64 form part of this interim financial report.



**Ding Shizhong**

*Chairman, Executive Director and Chief Executive Officer*



**Lai Shixian**

*Executive Director and Chief Financial Officer*

Hong Kong, 25 August 2020

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company			Non-controlling interests RMB'million	Total equity RMB'million
		Share capital RMB'million	Reserves RMB'million	Total RMB'million		
<b>Balances as at 1 January 2019</b>		259	15,518	15,777	743	16,520
<i>Changes in equity for the six months ended 30 June 2019:</i>						
– Profit for the period						
As previously reported		–	2,482	2,482	99	2,581
Prior year adjustment		–	(159)	(159)	–	(159)
As restated		–	2,323	2,323	99	2,422
– Other comprehensive loss for the period						
As previously reported		–	(115)	(115)	–	(115)
Prior year adjustment		–	32	32	–	32
As restated		–	(83)	(83)	–	(83)
Total comprehensive income for the period		–	2,240	2,240	99	2,339
Dividends approved in respect of the previous year	21(k)	–	(652)	(652)	–	(652)
Shares issued under a subscription agreement		2	690	692	–	692
Shares purchased under share award scheme	21(j)	–	(170)	(170)	–	(170)
Shares issued under share option schemes	21(a)	–	7	7	–	7
Capital contribution by non-controlling interests of subsidiaries		–	–	–	39	39
Dividends to non-controlling interests of a subsidiary		–	–	–	(23)	(23)
<b>Balances as at 30 June 2019</b>		261	17,633	17,894	858	18,752
<b>Balances as at 1 January 2020</b>		<b>261</b>	<b>19,821</b>	<b>20,082</b>	<b>979</b>	<b>21,061</b>
<i>Changes in equity for the six months ended 30 June 2020:</i>						
– Profit for the period		–	1,658	1,658	122	1,780
– Other comprehensive income for the period		–	132	132	–	132
Total comprehensive income for the period		–	1,790	1,790	122	1,912
Dividends approved in respect of the previous year	21(k)	–	(903)	(903)	–	(903)
Shares purchased under share award scheme	21(j)	–	(368)	(368)	–	(368)
Shares issued under share option schemes	21(a)	–	13	13	–	13
Equity-settled share-based payment transactions	21(g)	–	210	210	–	210
Issuance of convertible bonds	18(c)	–	463	463	–	463
Capital contribution by non-controlling interests of subsidiaries		–	–	–	27	27
Dividends to non-controlling interests of subsidiaries		–	–	–	(45)	(45)
<b>Balances as at 30 June 2020</b>		<b>261</b>	<b>21,026</b>	<b>21,287</b>	<b>1,083</b>	<b>22,370</b>

Comparative information has been restated as a result of the completion of the accounting for the business combination of the Group's joint venture. See note 12.

The accompanying notes on pages 45 to 64 form part of this interim financial report.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020 – unaudited  
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2020 RMB'million	2019 RMB'million
<b>Operating activities:</b>			
Cash generated from operations		3,615	4,410
Income tax paid		(1,325)	(1,068)
Interest received		105	99
<b>Net cash generated from operating activities</b>		<b>2,395</b>	<b>3,441</b>
<b>Investing activities:</b>			
Capital expenditures paid		(511)	(740)
Net uplifts of pledged deposits		3	1,446
Net (placements)/uplifts of fixed deposits held at banks with maturity over three months		(2,433)	669
Payment for investment in a joint venture		–	(11,707)
Proceeds from disposal of partial interests in a joint venture	12	235	–
Net (payments of)/proceeds from other investments		(287)	572
Other cash flows derived from investing activities		40	2
<b>Net cash used in investing activities</b>		<b>(2,953)</b>	<b>(9,758)</b>
<b>Financing activities:</b>			
Net drawdown of bank loans		11	6,041
Payments of interest expenses on bank loans		(116)	(31)
Net proceeds from bills of exchange		1,000	–
Net proceeds from issuance of convertible bonds	18(c)	7,678	–
Payments of lease liabilities		(584)	(634)
Dividends paid to equity shareholders of the Company	21(k)	(903)	(652)
Net proceeds from shares issued under a share subscription agreement		–	692
Payments for shares purchased under share award scheme	21(j)	(368)	(170)
Other cash flows derived from financing activities		(37)	23
<b>Net cash received from financing activities</b>		<b>6,681</b>	<b>5,269</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,123</b>	<b>(1,048)</b>
<b>Cash and cash equivalents as at 1 January</b>		<b>8,221</b>	<b>9,284</b>
<b>Effect of foreign exchange rate changes</b>		<b>252</b>	<b>(37)</b>
<b>Cash and cash equivalents as at 30 June</b>	17	<b>14,596</b>	<b>8,199</b>

The accompanying notes on pages 45 to 64 form part of this interim financial report.

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# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34, *Interim Financial Reporting*, (“IAS 34”) issued by the International Accounting Standards Board (“IASB”). IAS 34 is consistent with Hong Kong Accounting Standard 34, *Interim Financial Reporting*, (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accordingly this interim financial report is also prepared in accordance with HKAS 34. It was authorised for issue on 25 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 and HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes which do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) or Hong Kong Financial Reporting Standards (“HKFRSs”). The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements.

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company. It has also been reviewed by the Company’s auditors, KPMG, in accordance with the Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the HKICPA. KPMG’s independent review report to the Board of Directors is included on page 39.

## 2. CHANGES IN ACCOUNTING POLICIES

### (a) Effect of adopting amendments to standards

The IASB and HKICPA have issued a number of amendments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group. Except for the below amendment, none of other developments to IFRSs and HKFRSs that are first effective for the current accounting period of the Group have a material effect to the Group’s results and financial position have been prepared or presented in this interim financial report:

	Effective for accounting period beginning on or after
Amendment to IFRS/HKFRS 16, <i>COVID-19-Related Rent Concessions</i>	1 June 2020

The amendment provides a practical expedient that allows a lessee to bypass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of 2019 novel coronavirus disease (COVID-19) (the “Pandemic”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments with amount of RMB110,000,000 credited to profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.



# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 2. CHANGES IN ACCOUNTING POLICIES (Continued)

### (b) New standards and amendments to standards issued but are not yet effective

Save as aforesaid, a number of new standards and amendments to standards are not yet effective for the year ending 31 December 2020 and have not been adopted by the Group in preparing the interim financial report.

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it is concluded that the new standards or amendments to standards issued but not effective are not likely to have significant impact on the consolidated financial statements.

## 3. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are branding, production, design, procurement, supply chain management, wholesale and retail of branded sporting goods including footwear, apparel and accessories. The Group also has an investment in a joint venture, the principal activity of which is operating Amer Sports' business. Please refer to note 12 for more details of Amer Sports' business.

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

The Group's (other than joint venture) operations are not subject to significant seasonal factors.

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:

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Footwear	5,344	5,124
Apparel	8,807	9,151
Accessories	518	536
	14,669	14,811

For the six months ended 30 June 2020, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2019: Nil).

### (b) Segment reporting

Chief Executive Officer and senior management team are the Group's chief operating decision-makers (the "CODMs"). The CODMs review the Group's internal reports periodically in order to assess performance and allocate resources from a brand perspective. Consistent with the way in which information is reported internally to the CODMs, the Group has presented two reportable segments of ANTA brand and FILA brand, respectively. No other operating segments have been aggregated to the two reportable segments, but have been aggregated and presented as "all other brands". The segment information for the reporting period is as follows:

### 3. REVENUE AND SEGMENT REPORTING (Continued)

#### (b) Segment reporting (Continued)

	ANTA brand		FILA brand		All other brands		Total	
	2020 RMB'million	2019 RMB'million	2020 RMB'million	2019 RMB'million	2020 RMB'million	2019 RMB'million	2020 RMB'million	2019 RMB'million (restated)
For the six months ended 30 June								
<b>Segment revenue</b>								
– Revenue from external customers	6,777	7,590	7,152	6,538	740	683	14,669	14,811
<b>Revenue</b>	6,777	7,590	7,152	6,538	740	683	14,669	14,811
<b>Segment gross profit</b>	2,822	3,225	5,040	4,673	477	404	8,339	8,302
<b>Segment results</b>	1,805	2,442	1,766	1,894	19	(79)	3,590	4,257
<i>Reconciliation:</i>								
– Gain on disposal of partial interests in a joint venture							14	–
– Net finance (costs)/income							(65)	9
– Share of loss of a joint venture							(719)	(651)
<b>Profit before taxation</b>							2,820	3,615
As at 30 June/31 December								
<b>Segment assets</b>	17,081	13,465	7,954	9,760	1,917	1,985	26,952	25,210
<i>Reconciliation:</i>								
– Elimination of inter-segment borrowings	(576)	(451)	–	–	–	–	(576)	(451)
– Fixed deposits held at banks with maturity over three months							6,963	4,183
– Cash and cash equivalents							5,167	915
– Investment in a joint venture							9,739	10,551
– Other investments							358	64
– Deferred tax assets							922	746
<b>Total assets</b>							49,525	41,218
<b>Segment liabilities</b>	5,805	5,421	3,891	4,676	1,036	1,027	10,732	11,124
<i>Reconciliation:</i>								
– Elimination of inter-segment borrowings	–	–	(29)	(29)	(547)	(422)	(576)	(451)
– Borrowings							15,627	8,003
– Current taxation							1,009	1,225
– Deferred tax liabilities							363	256
<b>Total liabilities</b>							27,155	20,157

Certain segment assets have been changed during the period to reflect the change of information reported internally to the CODMs. Certain comparative figures of reportable segments have been restated to conform to the current period's presentation.

# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 4. NET FINANCE (COSTS)/INCOME

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Total interest income on financial assets measured at amortised cost	134	76
Net gain on forward foreign exchange contracts and currency option contracts	1	–
Other net foreign exchange gain	–	48
	135	124
Interest expense on lease liabilities	(58)	(49)
Total interest expense on other financial liabilities measured at amortised cost	(142)	(60)
Less: interest expenses capitalised into a property under development <sup>(i)</sup>	–	2
Net loss on forward foreign exchange contracts	–	(8)
	(200)	(115)
Net finance (costs)/income	(65)	9

(i) The borrowing costs were capitalised at a rate of 5.15% per annum in the comparative reporting period.

## 5. PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Cost of inventories <sup>(i)</sup> (note 14(b))	6,330	6,509
Research and development costs <sup>(i) &amp; (ii)</sup>	402	354
Subcontracting charges <sup>(i)</sup>	81	94
Staff costs <sup>(i) &amp; (ii)</sup>	2,194	1,854
Depreciation <sup>(i)</sup>		
– Property, plant and equipment (note 8)	227	176
– Right-of-use assets (note 9)	656	532
Amortisation of intangible assets (note 11)	28	22
Impairment loss/(reversal of impairment loss) of trade receivables (note 15)	41	(18)

(i) Cost of inventories includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB795,000,000 (2019: RMB825,000,000).

(ii) Research and development costs include staff costs of employees in the research and development department, of which RMB165,000,000 (2019: RMB141,000,000) are included in the staff costs as disclosed above.

## 6. TAXATION IN THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Current tax		
PRC Corporate Income Tax and income taxes of other tax jurisdictions	1,093	1,155
Dividends withholding tax	16	78
Deferred tax (note 20(b))		
Dividends withholding tax	(16)	(78)
Origination and reversal of other temporary differences	(53)	38
	1,040	1,193

- (i) In accordance with the relevant PRC corporate income tax laws, implementation regulations and guidance notes, certain subsidiaries in Mainland China are entitled to tax concessions whereby the profits of the subsidiaries are taxed at a preferential income tax rate. Taxation of the Group's other subsidiaries in Mainland China are calculated using the applicable income tax rates of 25%.
- (ii) Taxation for subsidiaries in other tax jurisdictions amounting to RMB1,000,000 (2019:RMB7,000,000) is charged at the appropriate current rates under the relevant taxation rulings.
- (iii) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-Mainland China corporate residents from Mainland China enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from Mainland China if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the Mainland China company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

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

## 7. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the period.

*Weighted average number of ordinary shares*

	2020	2019
	'000 shares	'000 shares
Issued ordinary shares as at 1 January	2,701,947	2,684,904
Effect of shares issued under a share subscription agreement	–	263
Effect of shares held under share award scheme	(12,566)	(1,399)
Effect of shares vested under share award scheme	678	–
Effect of shares issued under share option schemes	126	253
Weighted average number of ordinary shares as at 30 June	2,690,185	2,684,021

# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 7. EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

The calculation of the diluted earnings per share is based on the profit attributable to equity shareholders of the Company, and weighted average number of ordinary shares, as adjusted for the effects of all dilutive potential ordinary shares.

Profit attributable to equity shareholders of the Company (diluted)

	2020 RMB'million	2019 RMB'million (restated)
Profit attributable to equity shareholders of the Company	1,658	2,323
Adjustment for interest on convertible bonds, net of tax	35	–
Profit attributable to equity shareholders of the Company (diluted)	1,693	2,323

Weighted average number of ordinary shares (diluted)

	2020 '000 shares	2019 '000 shares
Weighted average number of ordinary shares as at 30 June	2,690,185	2,684,021
Effect of awarded shares under share award scheme	1,374	–
Effect of deemed issue of shares under share option schemes	1,852	2,600
Effect of conversion of convertible bonds	66,365	–
Weighted average number of ordinary shares (diluted) as at 30 June	2,759,776	2,686,621

## 8. PROPERTY, PLANT AND EQUIPMENT

	2020 RMB'million	2019 RMB'million
Net book value, as at 1 January	2,148	1,787
Additions	265	126
Transfer from construction in progress (note 10)	8	374
Disposals	(20)	(6)
Depreciation charge for the period (note 5)	(227)	(176)
Net book value, as at 30 June	2,174	2,105

## 9. RIGHT-OF-USE ASSETS

	2020 RMB'million	2019 RMB'million
Net book value, as at 1 January	3,237	2,172
Additions	508	601
Depreciation charge for the period (note 5)	(656)	(532)
Disposals	(160)	(120)
Net book value, as at 30 June	2,929	2,121

## 10. CONSTRUCTION IN PROGRESS

	2020	2019
	RMB'million	RMB'million
As at 1 January	421	661
Additions	32	100
Transfer to property, plant and equipment (note 8)	(8)	(374)
As at 30 June	445	387

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

## 11. INTANGIBLE ASSETS

	2020	2019
	RMB'million	RMB'million
Net book value, as at 1 January	678	685
Additions	36	14
Amortisation charge for the period (note 5)	(28)	(22)
Net book value, as at 30 June	686	677

## 12. INVESTMENT IN A JOINT VENTURE

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

Name of joint venture	Place of incorporation and business	Proportion of interest held	Proportion of voting rights held
Amer Sports Holding (Cayman) Limited ("AS Holding", formerly known as Mascot JVCo (Cayman) Limited)	Cayman Islands/ Worldwide	52.70%	57.70%

Amer Sports Oy ("Amer Sports") is wholly-owned by AS Holding and is a sporting goods company with internationally recognised brands including Salomon, Arc'teryx, Peak Performance, Atomic, Suunto, Wilson, Precor, etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase the enjoyment of sports and outdoor activities. Amer Sports' business is balanced by its broad portfolio of sports and products and presence in all major markets.

The Group accounts for AS Holding as an investment in a joint venture using the equity method in the consolidated financial statements of the Group under applicable financial reporting standards, as decisions about certain key activities of AS Holding require the consent of directors nominated by other shareholders.

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

# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 12. INVESTMENT IN A JOINT VENTURE (Continued)

At 30 June 2019, AS Holding's accounting for the business combination (including purchase price allocation exercise) of Amer Sports was not completed, AS Holding recognised the assets and liabilities acquired and the amount of goodwill arising from the business combination on a provisional basis. As the final results of the purchase price allocation exercise were obtained and the accounting for the business combination of Amer Sports was completed and finalised, AS Holding retrospectively adjusted comparative information for the six months ended 30 June 2019. Summarised consolidated financial information (including restated comparative information) of AS Holding, based on the latest available information to the Company and following the accounting policies adopted by the Group, are disclosed below:

	30 June 2020	31 December 2019
	RMB'million	RMB'million
Current assets	11,599	13,738
Non-current assets	45,980	45,438
Current liabilities	(7,887)	(8,783)
Non-current liabilities	(31,211)	(30,790)
Equity	18,481	19,603

	Six months ended 30 June 2020	From 26 March 2019 to 30 June 2019
	RMB'million	RMB'million (restated)
Revenue	7,164	3,964
Net loss	(1,365)	(1,124)
Other comprehensive loss	(55)	(146)
Total comprehensive loss	(1,420)	(1,270)

During the reporting period, the Group completed a transaction with Sequoia Jingyuan (Xiamen) Equity Investment Partnership (Limited Partnership) and effectively disposed 1.12% economic interest in AS Holding with proceeds of approximately RMB235,000,000 and a gain of approximately RMB14,000,000.

A 5-year EUR1,300,000,000 (equivalent to RMB10,334,000,000) term loan facility ("Facility A") was provided by independent third party bank lenders to AS Holding for the purpose of, amongst other things, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) refinancing of any indebtedness of Amer Sports in connection with the acquisition of shares of Amer Sports. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of AS Holding to the arrangers, the lenders and the agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. As at 30 June 2020, Facility A has been fully drawn by AS Holding.

## 13. OTHER INVESTMENTS

	30 June 2020	31 December 2019
	RMB'million	RMB'million
<b>Current</b>		
Financial instruments measured at fair value through profit or loss ("FVTPL"):		
Unlisted debt securities	290	-
<b>Non-current</b>		
Equity instruments designated as measured at FVOCI (non-recycling):		
Unlisted equity investments	68	64
	<b>358</b>	64

### 13. OTHER INVESTMENTS (Continued)

The movements of the unlisted equity investments are as follows:

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Balance at 1 January	64	64
Additions	–	14
Total unrealised gains recognised in other comprehensive income	4	2
Disposals	–	(20)
Balance at 30 June	68	60

### 14. INVENTORIES

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

	30 June	31 December
	2020	2019
	RMB'million	RMB'million
Raw materials	257	259
Work in progress	251	249
Finished goods	4,496	3,897
	5,004	4,405

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

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Carrying amount of inventories sold	6,246	6,485
Write-down of inventories	84	24
	6,330	6,509

### 15. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	30 June	31 December
	2020	2019
	RMB'million	RMB'million
<b>Trade receivables</b>	<b>3,621</b>	3,937
Less: loss allowance	(82)	(41)
	<b>3,539</b>	3,896
<b>Other current assets:</b>		
Other assets in relation to refunds (note 19)	148	–
Advance payments to suppliers	493	732
Deposits and other prepayments	1,027	1,032
VAT deductible	246	464
Interest receivables	64	37
Derivative financial instruments	–	3
Others	136	144
	<b>2,114</b>	2,412

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:

	30 June	31 December
	2020	2019
	RMB'million	RMB'million
Current	3,432	3,835
Less than 3 months past due	112	71
Past due over 3 months	77	31
	<b>3,621</b>	3,937



# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 15. TRADE RECEIVABLES AND OTHER CURRENT ASSETS (Continued)

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

	2020 RMB'million	2019 RMB'million
As at 1 January	41	54
Impairment loss/(reversal of impairment loss) recognised (note 5)	41	(18)
As at 30 June	82	36

The Group normally grants a credit period of 30 to 90 days to its customers.

The Group measures loss allowance for trade receivables at an amount equal to lifetime expected credit losses, 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 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.

Normally, the Group does not obtain collateral from customers.

## 16. PLEDGED DEPOSITS

As at 30 June 2020, certain bank deposits have been pledged as security for certain contracts.

## 17. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

	30 June 2020 RMB'million	31 December 2019 RMB'million
Fixed deposits with banks within three months to maturity when placed	6,972	6,951
Cash at bank and in hand	5,526	1,267
Deposits with other financial institutions	98	3
Short-term investments	2,000	–
Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows	14,596	8,221
Fixed deposits with banks with more than three months to maturity when placed	6,963	4,382
	<b>21,559</b>	12,603

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.

## 18. BORROWINGS

	Note	30 June 2020 RMB'million	31 December 2019 RMB'million
<b>Current</b>			
Bank loans	(a)	1,800	1,359
Bills payable (financing in nature)	(b)	2,200	1,200
		4,000	2,559
<b>Non-Current</b>			
Bank loans	(a)	6,305	6,644
Convertible bonds	(c)	7,522	–
		13,827	6,644
Total borrowings		17,827	9,203

### (a) Bank loans

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

### (b) Bills payable (financing in nature)

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

### (c) Convertible bonds

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

Each Bond will, at the option of the holder, be convertible on or after the date which is 41 days after 5 February 2020 up to the date falling 10 days prior to 5 February 2025 into fully paid ordinary shares with a par value of HK\$0.10 each of the Company (the “Shares”) at an initial conversion price of HK\$105.28 per Share, subject to adjustments. The latest conversion price was HK\$104.68 with effect from 16 May 2020. The number of Shares to be issued shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the pre-determined fixed rate under the terms and conditions of the Bonds) by the conversion price in effect on the relevant conversion date. Assuming full conversion of the Bonds at the adjusted conversion price of HK\$104.68 per Share, the Bonds will be convertible into 82,600,306 Shares.

The outstanding principal amount of the Bonds is repayable by the Group upon the maturity of the Bonds on 5 February 2025, if not previously redeemed, converted or purchased and cancelled. On 5 February 2023 (the “Optional Put Date”), the holder of each Bond will have the right at such holder’s option, to require the Group to redeem all or some only of such holder’s Bonds on the Optional Put Date at their principal amount. The Bonds may be redeemed, on giving not less than 30 nor more than 60 days’ notice to the bondholders, in whole but not in part, at its option of the Group, at their principal amount on the date specified in the optional redemption notice, at any time if prior to the date the relevant optional redemption notice is given, conversion rights have been exercised and/or purchased (and corresponding cancellations) and/or redemptions effected in respect of 90% or more in aggregate principal amount of the Bonds originally issued.

At initial recognition, the liability component is measured at fair value based on the principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The remainder of the proceeds is allocated to the conversion option as the equity component. Transaction costs associated with the issuance of the Bonds are allocated to the liability and equity components in proportion to the allocation of proceeds. The liability component is subsequently carried at amortised cost calculated using the effective interest method.

# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 18. BORROWINGS (Continued)

### (c) Convertible bonds (Continued)

The liability and equity components of convertible bonds on initial recognition are presented as follows:

	RMB'million
Gross proceeds	7,681
Less: transaction costs	(3)
Net proceeds	7,678
Less: equity component	(463)
Liability component on initial recognition	7,215

During the reporting period, there was no conversion of convertible bonds into shares in the Company by the bondholders.

## 19. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	30 June 2020 RMB'million	31 December 2019 RMB'million
<b>Trade payables</b>	<b>2,080</b>	2,963
<b>Other current liabilities:</b>		
Refund liabilities <sup>(i)</sup>	260	–
Contract liabilities	1,613	1,588
Construction costs payables	80	132
VAT and other taxes payables	305	495
Accruals	1,434	1,691
Derivative financial instruments	19	–
Others	684	715
	<b>4,395</b>	4,621

(i) The Group recognises a refund liability for the consideration received or receivable of which the Group does not expect to be entitled. The Group also recognises other assets in relation to refunds, measured with reference to the former carrying amount of the products (see note 15). The costs to recover the products are not material because the product returned are usually in a saleable condition.

All of the trade payables and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

An ageing analysis of the trade payables, based on the invoice date, is as follows:

	30 June 2020 RMB'million	31 December 2019 RMB'million
Within 3 months	2,054	2,939
3 months to 6 months	11	12
Over 6 months	15	12
	<b>2,080</b>	2,963

## 20. TAXATION IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

As at 30 June 2020, current taxation in the condensed consolidated statement of financial position represents provisions for PRC Corporate Income Tax of RMB1,001,000,000 (31 December 2019: RMB1,213,000,000) and income taxes in other tax jurisdictions of RMB8,000,000 (31 December 2019: RMB12,000,000).

## 20. TAXATION IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (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 condensed consolidated statement of financial position and the movements during the period are as follows:

Deferred tax arising from:	Dividends withholding tax RMB'million	Other deferred tax liabilities RMB'million	Accruals RMB'million	Other deferred tax assets RMB'million	Total RMB'million
As at 1 January 2019	215	22	(361)	(42)	(166)
Charged/(credited) to profit or loss (note 6)	123	2	(72)	(15)	38
Released upon distribution of dividends (note 6(iii))	(78)	-	-	-	(78)
Others	-	-	-	(116)	(116)
As at 30 June 2019	260	24	(433)	(173)	(322)
As at 1 January 2020	225	31	(524)	(222)	(490)
Charged/(credited) to profit or loss (note 6)	115	8	(24)	(152)	(53)
Released upon distribution of dividends (note 6(iii))	(16)	-	-	-	(16)
As at 30 June 2020	324	39	(548)	(374)	(559)

#### (ii) Reconciliation to the condensed consolidated statement of financial position

	30 June 2020 RMB'million	31 December 2019 RMB'million
Net deferred tax asset recognised in the condensed consolidated statement of financial position	(922)	(746)
Net deferred tax liability recognised in the condensed consolidated statement of financial position	363	256
	(559)	(490)

#### (c) Deferred tax assets not recognised:

As at 30 June 2020, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB638,000,000 (31 December 2019: RMB456,000,000) of which RMB483,000,000 (31 December 2019: RMB347,000,000) will expire within 5 years under the current tax legislation. These cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

#### (d) Deferred tax liabilities not recognised:

As at 30 June 2020, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in Mainland China amounted to RMB7,492,000,000 (31 December 2019: RMB6,496,000,000). Deferred tax liabilities of RMB375,000,000 (31 December 2019: RMB325,000,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in Mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 21. CAPITAL, RESERVES AND DIVIDENDS

The components of reserves recognised in the condensed consolidated statement of financial position and the movements during the period are as follows:

	Shares held for share award	Share premium	Capital reserve	Statutory reserve	Fair value reserve (non-recycling)	Exchange reserve	Share-based compensation reserve	Convertible bonds reserve	Share of other comprehensive loss of joint venture	Retained profits	Total
	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
Note	Note 21(j)	Note 21(b)	Note 21(c)	Note 21(d)	Note 21(e)	Note 21(f)	Note 21(g)	Note 21(h)			
<b>Balances as at 1 January 2019</b>	-	3,847	176	1,305	175	(414)	15	-	-	10,414	15,518
<i>Changes in equity for the six months ended 30 June 2019:</i>											
- Profit for the period											
As previously reported	-	-	-	-	-	-	-	-	-	2,482	2,482
Prior year adjustment	-	-	-	-	-	-	-	-	-	(159)	(159)
As restated	-	-	-	-	-	-	-	-	-	2,323	2,323
- Other comprehensive income/(loss) for the period											
As previously reported	-	-	-	-	16	(12)	-	-	(119)	-	(115)
Prior year adjustment	-	-	-	-	-	(2)	-	-	34	-	32
As restated	-	-	-	-	16	(14)	-	-	(85)	-	(83)
Total comprehensive income for the period	-	-	-	-	16	(14)	-	-	(85)	2,323	2,240
Dividends approved in respect of the previous year	21(k)	-	-	-	-	-	-	-	-	(652)	(652)
Shares issued under a subscription agreement		-	690	-	-	-	-	-	-	-	690
Shares purchased under share award scheme	21(j)	(170)	-	-	-	-	-	-	-	-	(170)
Shares issued under share option schemes	21(a)	-	9	-	-	-	(2)	-	-	-	7
Disposal of equity investments measured at FVOCI	21(e)	-	-	-	(175)	-	-	-	-	175	-
Appropriation to statutory reserve	21(d)	-	-	-	92	-	-	-	-	(92)	-
<b>Balances as at 30 June 2019</b>	(170)	4,546	176	1,397	16	(428)	13	-	(85)	12,168	17,633

## 21. CAPITAL, RESERVES AND DIVIDENDS (Continued)

		Shares held for share award	Share premium	Capital reserve	Statutory reserve	Fair value reserve (non-recycling)	Exchange reserve	Share-based compensation reserve	Convertible bonds reserve	Share of other comprehensive loss of joint venture	Retained profits	Total
	Note	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million	RMB'million
		Note 21(j)	Note 21(b)	Note 21(c)	Note 21(d)	Note 21(e)	Note 21(f)	Note 21(g)	Note 21(h)			
<b>Balances as at 1 January 2020</b>		(445)	4,559	176	1,420	19	(350)	99	-	(60)	14,403	19,821
<i>Changes in equity for the six months ended 30 June 2020:</i>												
- Profit for the period		-	-	-	-	-	-	-	-	-	1,658	1,658
- Other comprehensive income/ (loss) for the period		-	-	-	-	4	157	-	-	(29)	-	132
Total comprehensive income for the period		-	-	-	-	4	157	-	-	(29)	1,658	1,790
Disposal partial of interests in a joint venture		-	-	-	-	-	-	-	-	1	(1)	-
Dividends approved in respect of the previous year	21(k)	-	-	-	-	-	-	-	-	-	(903)	(903)
Shares purchased under share award scheme	21(j)	(368)	-	-	-	-	-	-	-	-	-	(368)
Shares issued under share option schemes	21(a)	-	17	-	-	-	-	(4)	-	-	-	13
Equity-settled share-based payment transactions	21(g)	-	-	-	-	-	-	210	-	-	-	210
Vesting of awarded shares	21(j)	112	33	-	-	-	-	(145)	-	-	-	-
Issuance of convertible bonds	18(c)	-	-	-	-	-	-	-	463	-	-	463
Appropriation to statutory reserve	21(d)	-	-	-	43	-	-	-	-	-	(43)	-
<b>Balances as at 30 June 2020</b>		(701)	4,609	176	1,463	23	(193)	160	463	(88)	15,114	21,026

# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 21. CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (a) Share capital

During the period, pursuant to the Company's share option schemes (note 21(i)), options were exercised to subscribe for 882,000 ordinary shares (2019: 484,900 shares) in the Company at a consideration of RMB13,000,000 (2019: RMB7,000,000) of which RMB82,000 (2019: RMB42,000) was credited to share capital and the balance of approximately RMB13,000,000 (2019: approximately RMB7,000,000) was credited to the share premium account. RMB4,000,000 (2019: RMB2,000,000) has been transferred from the share-based compensation reserve to the share premium account. No option was lapsed during the period (2019: Nil). As at 30 June 2020, the total number of shares which may be issued upon the exercise of all options outstanding from the Company's share option schemes is 1,700,000 (31 December 2019: 2,582,000).

### (b) Share premium

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.

### (c) 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\$144,000,000 (equivalent to RMB141,000,000) 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 RMB35,000,000) and non-controlling interest.

### (d) Statutory reserve

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

### (e) 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 reporting period.

### (f) Exchange reserve

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

### (g) Share-based compensation reserve

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

### (h) Convertible bonds reserve

The convertible bonds reserve represents the equity component (conversion rights) of convertible bonds issued by the Group. If the convertible bonds are converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion would be transferred to share capital and share premium as consideration for the shares issued. If any convertible bonds are redeemed, the corresponding convertible bonds reserve would be released and transferred directly to retained profits.

## 21. CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (i) 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 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.

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.

#### *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.

### (j) Share award scheme

The Company has adopted a share award scheme (“Share Award Scheme”) on 19 October 2018 in which employees of the Group will be entitled to participate, and shall be valid and effective for a term of 10 years commencing on adoption date. The specific 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.

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

During the period, pursuant to the Share Award Scheme, 6,319,000 ordinary shares (2019: 3,767,000) in the Company were purchased on the open market by the trustee. Total consideration paid during the period, including all relevant expenses, were RMB368,000,000 (2019: RMB170,000,000).

During the period, no awarded shares were granted under the Share Award Scheme.

During the period, 2,055,667 awarded shares (2019: Nil) with a total amount of RMB112,000,000 (2019: Nil) were vested, resulting in the transfer out of RMB145,000,000 (2019: Nil) from the share-based compensation reserve, with the difference of RMB33,000,000 (2019: Nil) credited to share premium account. 746,333 awarded shares were lapsed during the period (2019: Nil).

As at 30 June 2020, the total number of awarded shares granted but not vested (subject to certain vesting conditions) under the Share Award Scheme was 8,368,000 (31 December 2019: 11,170,000).



# Notes To The Interim Financial Report

(Expressed in Renminbi unless otherwise indicated)

## 21. CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (k) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the period

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Interim dividend declared after the end of the interim period of HK21 cents per ordinary share (2019: HK31 cents per ordinary share)	516	764

The interim dividend has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Final dividend in respect of the year ended 31 December 2019, approved and paid during the period, of HK36 cents per ordinary share (2018: HK28 cents per ordinary share)	903	652

## 22. FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### Fair value hierarchy

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

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements as at 30 June 2020 categorised into			
	Total	Level 1	Level 2	Level 3
	RMB'million	RMB'million	RMB'million	RMB'million
<b>Recurring fair value measurements</b>				
<b>Financial assets/(liabilities):</b>				
Equity instruments:				
– Unlisted equity investments	68	–	–	68
Debt Instruments:				
– Unlisted debt securities	290	–	290	–
Derivative financial instruments:				
– Currency option contracts	(19)	–	(19)	–

## 22. FAIR VALUES MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

### (a) Financial assets and liabilities measured at fair value (Continued)

	Fair value measurements as at 31 December 2019 categorised into			
	Total RMB'million	Level 1 RMB'million	Level 2 RMB'million	Level 3 RMB'million
<b>Recurring fair value measurements</b>				
<b>Financial assets:</b>				
Equity instruments:				
– Unlisted equity investments	64	–	–	64
Derivative financial instruments:				
– Forward foreign exchange contracts	2	–	2	–

During the six months ended 30 June 2020 and 2019, 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/liabilities 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 or option pricing model that incorporated present value techniques and reflected both the time value and the intrinsic value, taking into account the terms and conditions of the contracts.

#### *Information about Level 3 fair value measurements*

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

### (b) 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 30 June 2020 and 31 December 2019.

## 23. CAPITAL COMMITMENTS

Capital commitments outstanding as at 30 June 2020 not provided for in the interim financial report were as follows:

	30 June 2020 RMB'million	31 December 2019 RMB'million
Contracted for	1,045	1,219
Authorised but not contracted for	365	466
	1,410	1,685

## 24. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

	Six months ended 30 June 2020 RMB'million	2019 RMB'million
<b>Recurring transactions</b>		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. ("Quanzhou Anda")	43	43
Service fees		
– Mr. Ding Shijia (and his associates)	10	10

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.

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(Expressed in Renminbi unless otherwise indicated)

## 24. MATERIAL RELATED PARTY TRANSACTIONS

(Continued)

### (b) Balances with related parties

	30 June 2020	31 December 2019
	RMB'million	RMB'million
<b>Amounts due to related parties</b>		
Trade balance		
– Quanzhou Anda		
Other balance	17	14
– Mr. Ding Shijia (and his associates)	8	12
	<b>25</b>	<b>26</b>

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:

	Six months ended 30 June	
	2020	2019
	RMB'million	RMB'million
Short-term employee benefits	10	6
Equity-settled share-based payment transactions	21	–
	<b>31</b>	<b>6</b>

The total remuneration is included in "staff costs" (see note 5).

## 25. IMPACT OF THE PANDEMIC ON INTERIM FINANCIAL REPORT

The outbreak of the Pandemic in China since early 2020 has certain negative impacts on the Group's business operation, financial performance and working capital. Since the early stage of the Pandemic, the Group has already communicated with distributors closely to monitor their sales performance, to review their trade fair orders made in coming quarters in light of the actual situation as well as to take appropriate measures to minimise any potential risk. As of the date of the interim financial report, all stores and production facilities of the Group in China have resumed normal operation. The Group has also made an all-out effort to reduce costs to preserve working capital and profit. The Group has the risk resistance capacity and proven track record, hence the Group is confident in effectively managing the impact of the Pandemic.

## 26. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) In August 2020, the Group completed the issuance of a tranche of medium term notes, with an aggregate principal amount of RMB1,000,000,000, with a coupon rate 3.95% per annum. The medium term notes will mature in 3 years from the issue date.
- (b) After the end of the reporting period the Directors have declared an interim dividend. Further details are disclosed in note 21(k).
- (c) After the end of the reporting period, the Group entered into a memorandum of understanding with distributors for certain regions in Mainland China (the "Distributors"), which set out, among other things, principles to be adopted for the termination of distribution agreement with such Distributors (the "Termination"), including acquisition of certain assets relating to the ANTA brand stores currently operated by the Distributors, sales returns for ANTA brand products held by the Distributors and compensations payable to the Distributors in respect of their involvement in transition and coordination. The aggregate amount involved in the Termination is estimated at approximately RMB2.0 billion and would be settled by the internal resource of the Group. Upon completion of the Termination, all existing distributorship agreements with each of the Distributors will be terminated. Distributors will terminate all existing franchise agreements with their franchisees, and the Group will enter into new franchise agreements with franchisees.

# Other Information

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK21 cents per ordinary share in respect of the six months ended 30 June 2020. The interim dividend will be payable on or about Tuesday, 22 September 2020 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Wednesday, 9 September 2020.

## DISCLOSURE OF INTERESTS

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

As at 30 June 2020, 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 <sup>(2)</sup>	Approximate percentage of interest in such corporation <sup>(1)</sup>
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,659,446,000 (L) <sup>(3)</sup>	—	61.40%
	Anta International	Founder of a discretionary trust	4,144 (L) <sup>(3)</sup>	—	34.50%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,651,000,000 (L) <sup>(4)</sup>	—	61.08%
	Anta International	Founder of a discretionary trust	4,084 (L) <sup>(4)</sup>	—	34.00%
Mr. Lai Shixian	Company	Beneficial owner	91,955 (L)	—	0.00%
	Company	Beneficiary of a trust (other than a discretionary trust)	—	800,000 (L)	0.03%
	Anta International	Beneficiary of a discretionary trust/ Interest of spouse	1,171 (L) <sup>(5)</sup>	—	9.75%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141 (L) <sup>(6)</sup>	—	9.50%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601 (L) <sup>(7)</sup>	—	5.00%
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	—	0.03%
Mr. Yiu Kin Wah Stephen	Company	Beneficial owner	23,000 (L)	—	0.00%
	Company	Other	20,000 (L) <sup>(8)</sup>	—	0.00%

(L) – Long Position

Notes:

(1) As at 30 June 2020, the number of outstanding ordinary shares of the Company and of Anta International were 2,702,829,000 and 12,012, respectively.

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

## Other Information

- (3) *A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.05% of the issued Shares as at 30 June 2020, 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 61.05% of the issued Shares as at 30 June 2020, 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 30 June 2020. 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 30 June 2020. 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 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 30 June 2020. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.*
- (8) *The interests of Mr. Yiu Kin Wah Stephen were held by his family member as at 30 June 2020. Mr. Yiu Kin Wah Stephen, having a general power of attorney of the 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 30 June 2020, 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 or any of 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 30 June 2020, 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 and/or underlying Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of interest in the Company
HSBC Trustee	Trustee <sup>(1)</sup>	1,660,453,000 (L)	61.43%
Anta International	Beneficial owner <sup>(2)</sup>	1,373,625,000 (L)	50.82%
	Interest in controlled corporation <sup>(2)</sup>	276,375,000 (L)	10.23%
Allwealth Assets Limited	Interest in controlled corporation <sup>(1)</sup>	1,651,000,000 (L)	61.08%
Shine Well	Interest in controlled corporation <sup>(1)</sup>	1,650,000,000 (L)	61.05%
	Beneficial owner <sup>(1)</sup>	9,446,000 (L)	0.35%
Talent Trend	Interest in controlled corporation <sup>(1)</sup>	1,650,000,000 (L)	61.05%
	Beneficial owner <sup>(1)</sup>	1,000,000 (L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation <sup>(1)</sup>	1,659,446,000 (L)	61.40%
Anda Holdings	Beneficial owner	160,875,000 (L)	5.95%

(L) – Long Position

Notes:

- (1) The interests of HSBC Trustee in the Company were held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 50.82%, 5.95%, 4.27%, 0.35%, 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 7,000 Shares as trustee for persons unrelated to the substantial shareholders of the Company.

HSBC Trustee was the trustee of the DSZ Family Trust, the DSJ Family Trust, the WWM Family Trust, the WYH Family Trust and the DYL 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 30 June 2020, 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 30 June 2020, 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.

## Other Information

### CONVERTIBLE BONDS

On 5 February 2020, the Group issued zero coupon convertible bonds (“Bonds”) due 2025 in the aggregate principal amount of EUR1,000,000,000, which were listed on the Singapore Stock Exchange.

The initial conversion price per conversion share was HK\$105.28. In accordance with the terms and conditions of the Bonds and as a result of the approval of the final dividend of HK36 cents per Share for the year ended 31 December 2019 by Shareholders at the annual general meeting of the Company held on 11 May 2020, the conversion price per conversion share was adjusted from HK\$105.28 to HK\$104.68 with effect from 16 May 2020. For details of adjustment of the conversion price, please refer to the announcement of the Company dated 11 May 2020.

As at 30 June 2020, the total number of the issued shares of the Company is 2,702,829,000. Following the conversion price adjustment and assuming full conversion of the Bonds, the Bonds will be convertible into 82,600,306 conversion shares, representing approximately 3.06% of the issued share capital of the Company and approximately 2.97% of the issued share capital of the Company as enlarged by the issue of such conversion shares (assuming that there is no other change to the issued share capital of the Company).

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

As at 30 June 2020, the total outstanding principal amount of the Bonds was EUR1,000,000,000 (equivalent to RMB7,949,100,000). There had not been any exercise of conversion right of the Bonds during the financial period, and no redemption right had been exercised by the bondholders or the Company during the financial period.

Assuming the Bonds were fully exercised on 30 June 2020, the shareholdings of the Company immediately before and after the full exercise of the Bonds are set out below for illustration purposes:

Name of Shareholders	Shareholding immediately before the full exercise of the Bonds		Upon full conversion of the Bonds at the conversion price of HK\$104.68 each	
	Number of Shares	Approximate % of issued share capital of the Company	Number of Shares	Approximate % of issued share capital of the Company
Anta International <i>(Note)</i>	1,373,625,000	50.82%	1,373,625,000	49.31%
Anda Holdings <i>(Note)</i>	160,875,000	5.95%	160,875,000	5.78%
Anda Investment <i>(Note)</i>	115,500,000	4.27%	115,500,000	4.15%
Shine Well	9,446,000	0.35%	9,446,000	0.34%
Talent Trend	1,000,000	0.04%	1,000,000	0.04%
Bondholders	–	–	82,600,306	2.97%
Other Shareholders	1,042,383,000	38.57%	1,042,383,000	37.41%
<b>Total</b>	<b>2,702,829,000</b>	<b>100.00%</b>	<b>2,785,429,306</b>	<b>100.00%</b>

Notes: Each of Anda Holdings and Anda Investments is wholly-owned by Anta International.

Based on the cash and cash equivalents and the fixed deposits held at banks with maturity over three months as at 30 June 2020, the Company has the ability to meet its redemption obligation under the Bonds.

Please refer to note 18(c) to the interim financial report for further details of the Bonds.

#### *Bondholders to convert or redeem*

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

Date	31 December 2020	30 June 2021
Company's share price	HK\$105.62	HK\$106.25



# Other Information

## 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 30 June 2020, the total number of Shares which may be issued upon the exercise of all outstanding options granted under the Share Option Scheme I is 1,700,000, representing 0.06% 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 six months ended 30 June 2020 were as follow:

Name or category of participant	Number of options						As at 30 June 2020	Exercise price per Share	Date of grant	Vesting period	Exercise period
	As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period						
<b>Employees other than Director (including ex-employees)</b>											
In aggregate	2,582,000	-	(882,000) <sup>(1)</sup>	-	-	1,700,000	HK\$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020	
<b>Total</b>	<b>2,582,000</b>	<b>-</b>	<b>(882,000)</b>	<b>-</b>	<b>-</b>	<b>1,700,000</b>					

Note:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK\$70.12.

## Other Information

### *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 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 six months ended 30 June 2020. As at 30 June 2020, there were no outstanding options under the Share Option Scheme II.

## **SHARE AWARD SCHEME**

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

Pursuant to the a Share Award Scheme, existing shares of the Company will be purchased by the professional trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the scheme from the open market out of cash contributed by the Group and be held in trust for selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the scheme.

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

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

During the financial period, pursuant to the Share Award Scheme, 6,319,000 ordinary shares in the Company were purchased on the open market by the trustee. Total consideration paid during the financial period, including all relevant expenses, were RMB368,000,000.

## Other Information

The movement of number of awarded shares granted under the Share Award Scheme during the six months ended 30 June 2020 were as follow :

Name or category of participant	Number of awarded shares					
	As at 1 January 2020	Granted during the period	Vested during the period	Lapsed during the period	Cancelled during the period	As at 30 June 2020
<b>Director</b>						
Mr. Lai Shixian	1,000,000	-	(200,000)	-	-	800,000
<b>Employees other than Director (including ex-employees)</b>						
In aggregate	10,170,000	-	(1,855,667)	(746,333)	-	7,568,000
Total	11,170,000	-	(2,055,667)	(746,333)	-	8,368,000

As at 30 June 2020, the trustee of the Share Award Scheme held a total of 12,818,333 Shares.

### PURCHASES, SALES AND REDEMPTIONS OF LISTED SECURITIES

During the six months ended 30 June 2020, the trustee of the Share Award Scheme purchased 6,319,000 Shares on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB368,000,000.

Save as above, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the six months ended 30 June 2020.

### CORPORATE GOVERNANCE

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the confidence of shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance practices to meet the legal and commercial standards by focusing on areas such as internal control, fair disclosure and accountability to all shareholders.

Saved as disclosed below, the Company complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "Code") during the six months ended 30 June 2020. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Under provision A.2.1 of the Code, the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual. During the financial period, the roles of the Chairman and the Chief Executive Officer are performed by Mr. Ding Shizhong. With Mr. Ding's extensive experience in sportswear consumer markets, he is responsible for the overall strategic planning and business development of the Group. The Board considers that vesting both of the roles of Chairman and Chief Executive Officer with Mr. Ding is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 5 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors and therefore has a strong independence element in its composition.

The Company has established written guideline ("Code for Securities Transactions") no less exacting than the Model Code for the Directors and relevant employees (as defined in Appendix 14 to the Listing Rules) in respect of their dealings in the Company's securities. The Company has made specific enquiries to all the Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code regarding securities by the Directors during the six months ended 30 June 2020.

## **REVIEW OF INTERIM REPORT**

The interim financial report for the six months ended 30 June 2020 is unaudited, but has been reviewed in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute of Certified Public Accountants, by KPMG, whose report on review of interim financial report is set out on page 39 of this interim report. This interim report, including the interim financial report, has also been reviewed by the audit committee of the Company.

# Glossary

## **AGM**

The annual general meeting of the Company or any adjournment thereof

## **AMER SPORTS**

Amer Sports Oy, a sporting goods company incorporated in the Republic of Finland

## **ANDA HOLDINGS**

Anda Holdings International Limited

## **ANDA INVESTMENTS**

Anda Investments Capital Limited

## **ANTA**

ANTA brand

## **ANTA INTERNATIONAL**

Anta International Group Holdings Limited

## **ANTA KIDS**

ANTA KIDS brand, which offers ANTA products for children

## **ANTA SPORTS/COMPANY**

ANTA Sports Products Limited

## **ANTA STORE(S)**

ANTA retail stores

## **AS HOLDING**

Amer Sports Holding (Cayman) Limited, formerly known as Mascot JVCo (Cayman) Limited

## **BOARD**

The Board of Directors of the Company

## **BVI**

The British Virgin Islands

## **CHINA/PRC**

People's Republic of China

## **COC**

Chinese Olympic Committee

## **DESCENTE**

DESCENTE brand

## **DESCENTE STORE(S)**

DESCENTE retail stores

## **EURO, EUR**

Euro, the lawful currency of European Union

## **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 stores

## **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

## **HSCEI**

Hang Seng China Enterprises Index

## **INDEPENDENT NON-EXECUTIVE DIRECTORS**

Independent non-executive directors of the Company

## **IT**

Information technology

## **IPO**

Initial Public Offering

## **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

## **MACAO**

The Macao Special Administrative Region of the PRC

## **MAINLAND CHINA**

Mainland of China, geographically excluding Hong Kong, Macao and Taiwan

## **NASA**

National Aeronautics and Space Administration

## **NBA**

National Basketball Association

## **NON-EXECUTIVE DIRECTOR**

Non-executive director of the Company

## **OEM**

Original Equipment Manufacturer

## **PANDEMIC**

2019 novel coronavirus disease (COVID-19)

## **PERIOD**

6 months ended 30 June 2020

## **R&D**

Research and development

## **RMB**

Renminbi, the lawful currency of the PRC

## **SINGAPORE STOCK EXCHANGE**

Singapore Exchange Securities Trading Limited

## **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**

the United States of America

## **USD**

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

# Investors Information

## Stock Codes

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

## Share Information

Listing Day:	10 July 2007
Board lot size:	1,000 shares
Numbers of shares in outstanding:	2,702,829,000 shares (As at 30 June 2020)

## Dividends

HK cents	2016	2017	2018	2019	2020
Interim dividend	34	41	50	31	21
Final dividend	34	41	28	36	
Special dividend	8	16	-	-	

## Investor Relations Contacts

If you have any inquiries, please contact:  
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Telephone: (852) 2116 1660 Fax: (852) 2116 1590  
E-mail: [ir@anta.com.hk](mailto:ir@anta.com.hk)  
IR website: [ir.anta.com](http://ir.anta.com)  
Brand website: [www.anta.com](http://www.anta.com)

## Important Dates

25 August 2020	Interim results announcement
9 September 2020 4:30 p.m.	Record date of 2020 interim dividend
On or about 22 September 2020	Payment date of 2020 interim dividend
31 December 2020	Financial year end date of 2020



Mens Creation Ltd. – concept and design  
[www.menscreation.hk](http://www.menscreation.hk)

Equity – production and printing  
[www.equitygroup.com.hk](http://www.equitygroup.com.hk)



[IR.ANTA.COM](http://IR.ANTA.COM)

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK21 cents per ordinary share in respect of the six months ended 30 June 2020. The interim dividend will be payable on or about Tuesday, 22 September 2020 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Wednesday, 9 September 2020. In order to qualify for the interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 9 September 2020 for registration.

## **PUBLICATION OF RESULTS ANNOUNCEMENT**

This interim results announcement is available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and of the Company at [ir.anta.com](http://ir.anta.com).

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

Hong Kong, 25 August 2020

*As at the date of this announcement, the executive directors of the Company are Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian, Mr. Wu Yonghua and Mr. Zheng Jie; the non-executive director of the Company is Mr. Wang Wenmo; and the independent non-executive directors of the Company are Mr. Yiu Kin Wah Stephen, Mr. Mei Ming Zhi and Mr. Dai Zhongchuan.*