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)

2017 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of ANTA Sports Products Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2017. This announcement, containing the full text of the 2017 Annual Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of annual results. The printed version of the Company's 2017 Annual Report will be delivered to the shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at ir.anta.com in early March 2018.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2017 have been reviewed by the audit committee of the Company. The Group's consolidated financial statements have been audited by the Company's auditor, KPMG, and has issued an unqualified opinion.

ANTA

ANTA Sports Products Limited

Incorporated in the Cayman Islands with limited liability

Stock Code: 2020

FILA

ANTA

KOLON SPORT

DESCENTE

Kingkow

Sprandi

SIMPLY FANTASTIC

純粹美妙

ANNUAL REPORT 2017

From 2007 to 2017

Revenue
From RMB 2.99 billion to
RMB 16.69 billion

Profit attributable to equity shareholders
From RMB 0.54 billion to
RMB 3.09 billion

Number of stores (including all brands)
From 4,716 to
10,983

Number of staff
From 10,280 to
18,800

KEEP MOVING FOR THE NEXT TEN YEARS

1991

ANTA was launched in China.

2008

ANTA Kids was launched in China.

2007

ANTA Sports was listed and began trading on the Main Board of HKEX, issuing a total of 600 million shares globally.

2009

ANTA Sports successfully acquired the business of FILA in China, Hong Kong and Macao. Moreover, ANTA became the sportswear partner of the COC in 2009-2012 and 2013-2016, providing winning outfits for the Chinese athletes as it participated in major international sporting events, such as the Summer and Winter Olympics.

2014

ANTA signed agreements with 24 Chinese national teams within the five major sporting management centers including water sports, winter sports, boxing and taekwondo, gymnastics and weightlifting, wrestling and judo subsequently. During competition and training, all members of these national teams were well-equipped with ANTA professional sporting gears.

2015

Klay Thompson became the endorser of ANTA. He has been one of the top players in the NBA and a star shooting guard of the Golden State Warriors, who joined ANTA's “Basketball is Priceless” team.

2016

DESCENTE

ANTA Sports formed a joint venture company to operate DESCENTE business in China. Moreover, ANTA signed legendary Boxer Manny Pacquiao.

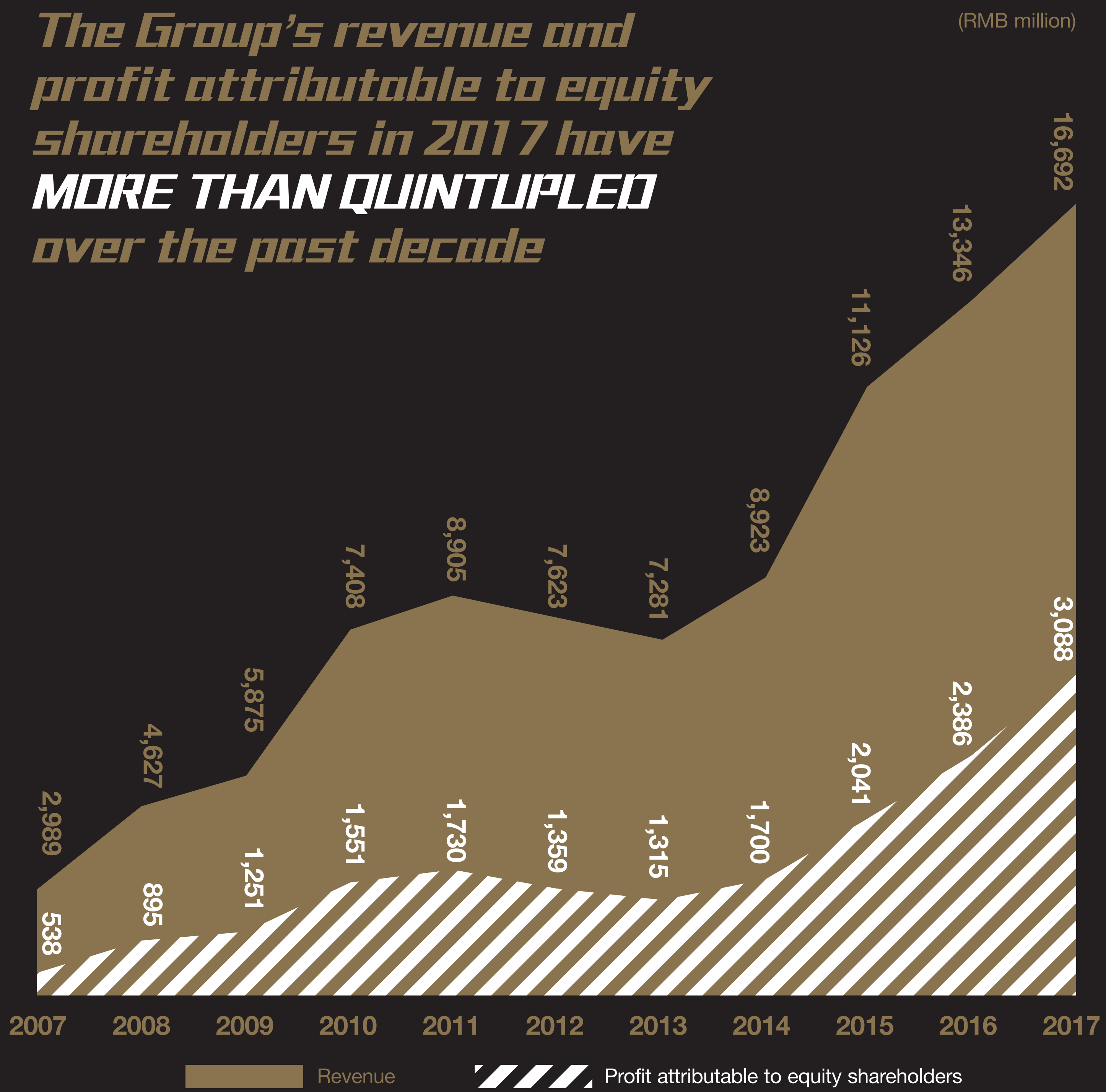
2017

KOLON SPORT

Kingkow

ANTA Sports hosted investor day and 10th anniversary gala dinner to celebrate its 10th listing anniversary. ANTA Sports acquired the business of KINGKOW and formed a joint venture company to operate KOLON SPORT business in China, Hong Kong, Macao and Taiwan. On the other hand, ANTA continued to be the sportswear partner of the COC and became the official sportswear partner of the Beijing 2022 Olympic and Paralympic Winter Games.

The Group's revenue and profit attributable to equity shareholders in 2017 have **MORE THAN QUINTUPLED** over the past decade



CONTENT

CORPORATE PROFILE

ANTA brand was established in 1991, while ANTA Sports Products Limited (Stock code: 2020.HK), a leading sportswear company in China, was listed on the Main Board of Hong Kong Stock Exchange in 2007. For many years, we have 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. In recent years, we have started moving full steam ahead on the strategy of "Single-Focus, Multi-Brand, and Omni-Channel" to deepen our footprint in the sportswear market in China. By embracing an all-round brand portfolio including ANTA, ANTA KIDS, FILA, FILA KIDS, DESCENTE, SPRANDI, KINGKOW, KOLON SPORT and NBA, and by seizing every opportunity arising in various important retail channels, we aim to unlock the potential of both the mass and high-end sportswear markets in China.

MISSION

To integrate the sports spirit of "going beyond oneself" into everyone's daily life

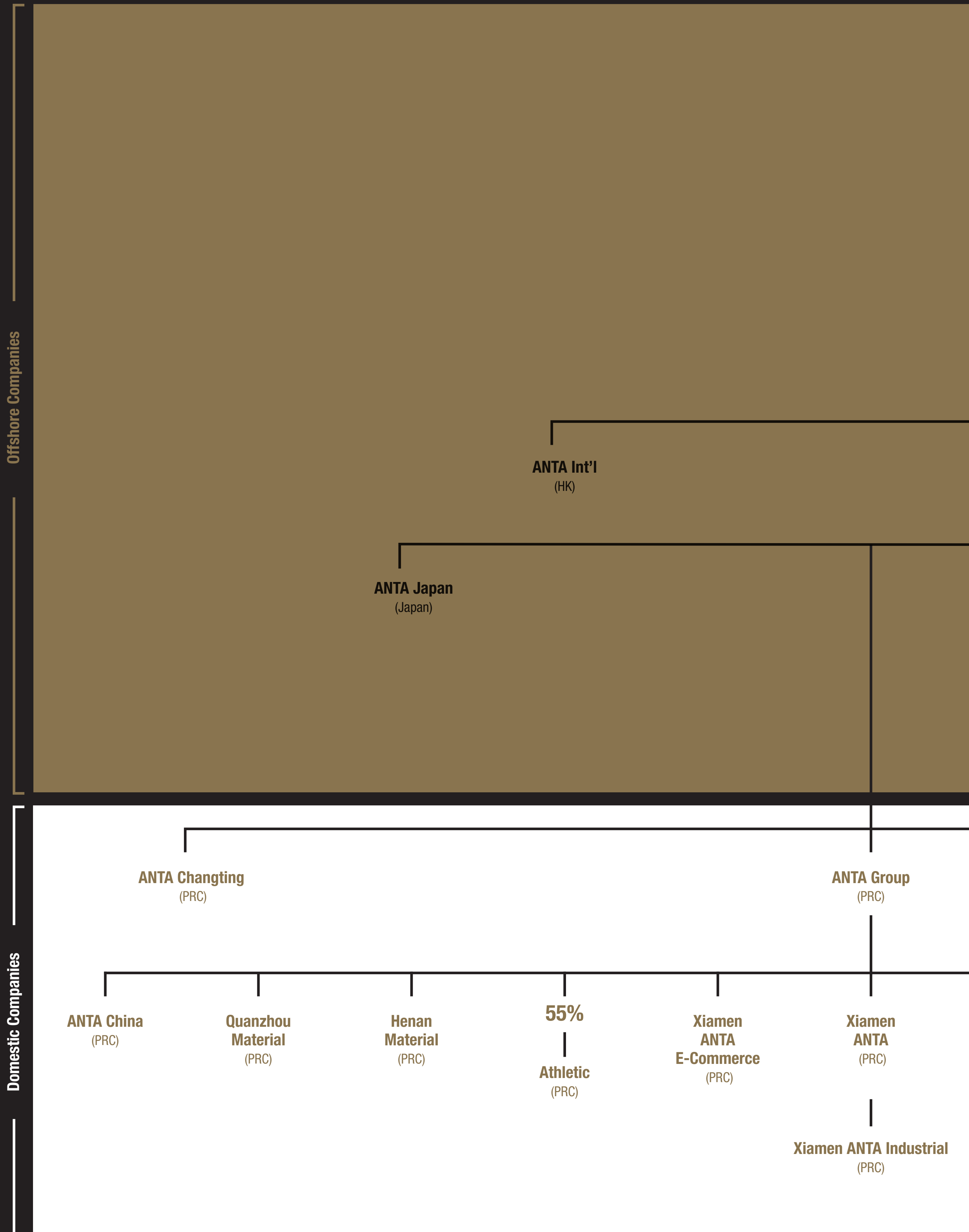
VISION

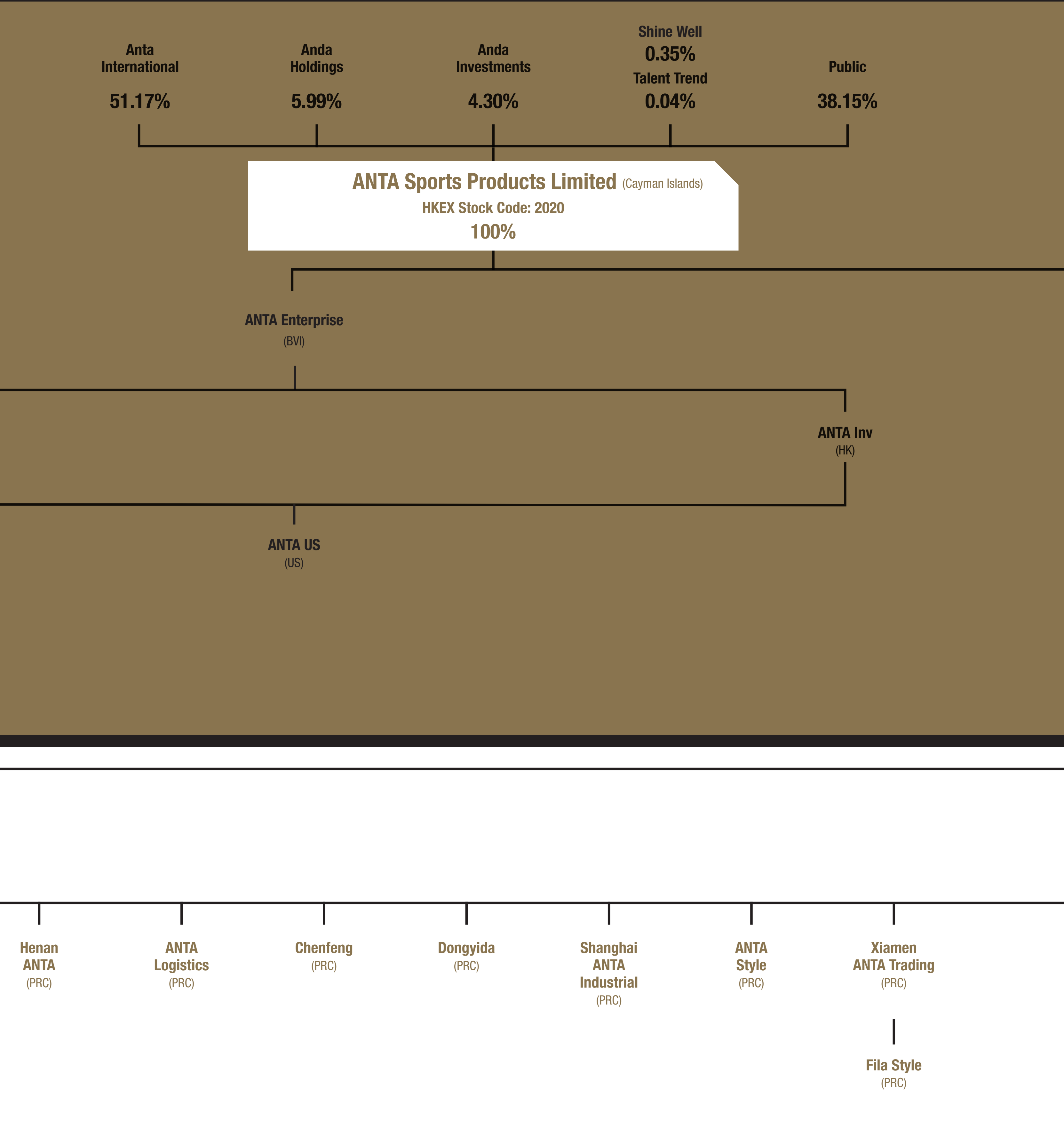
To become respectable world-class, multi-brand sportswear group

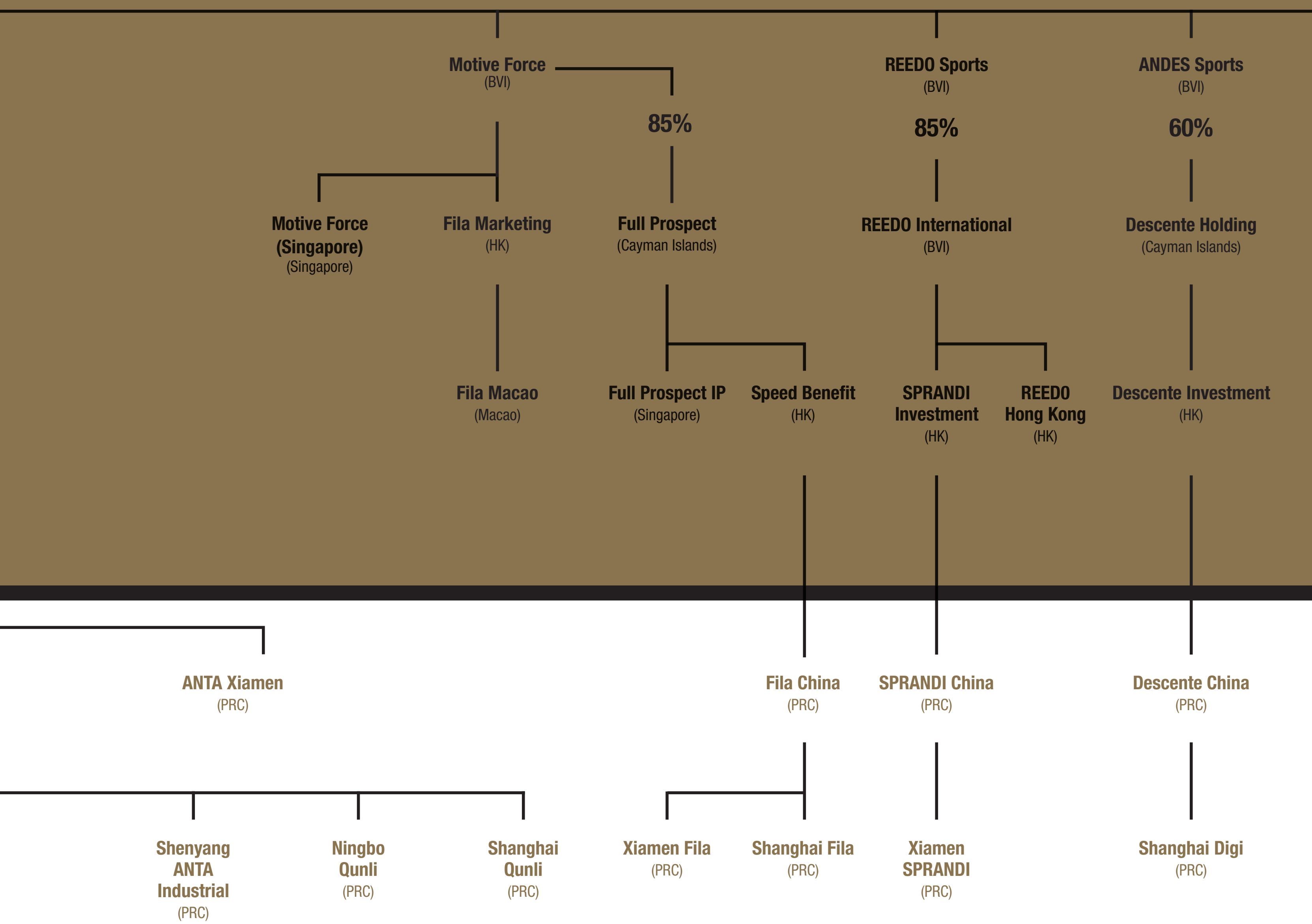
CORE VALUES

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

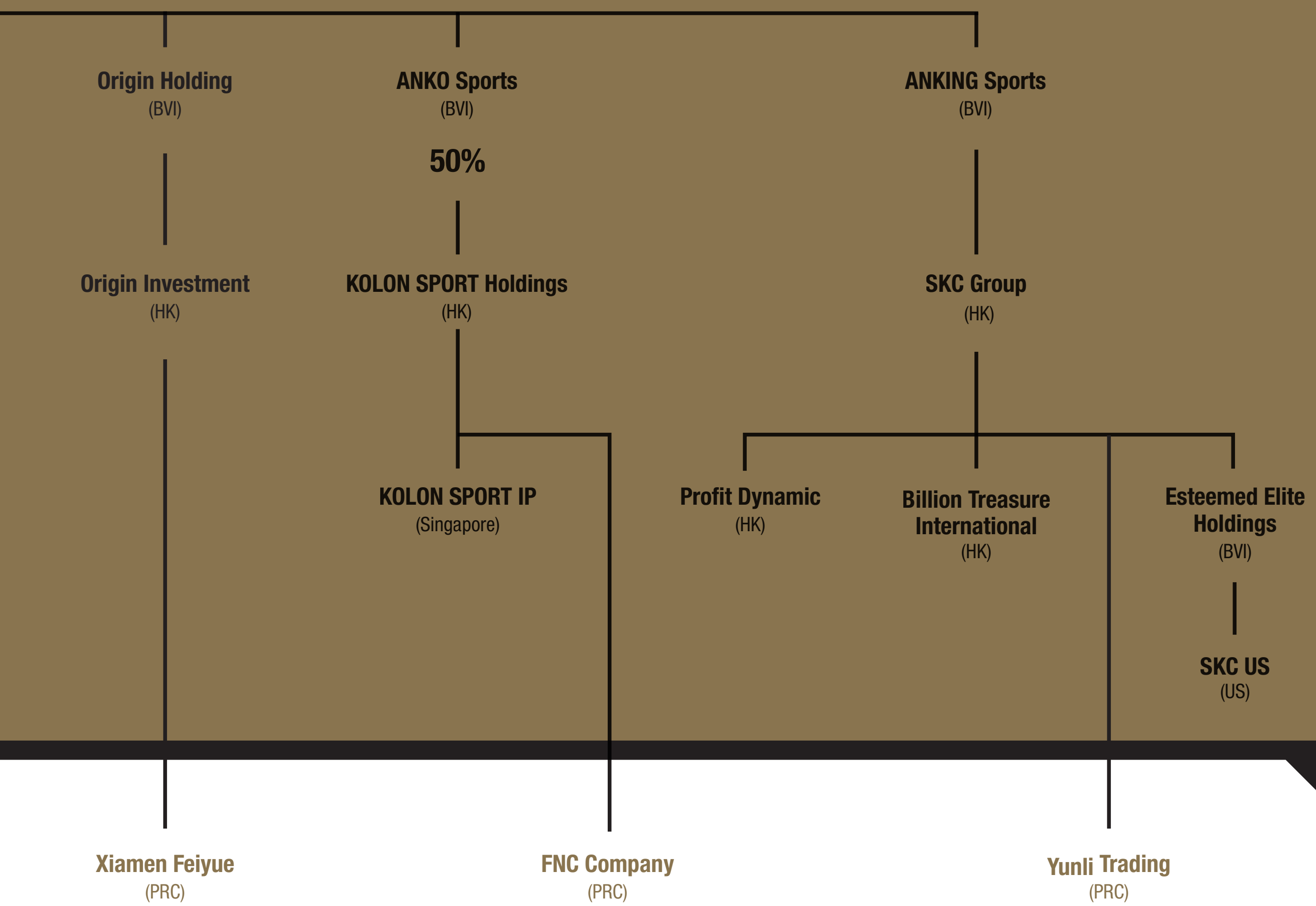
GROUP STRUCTURE




Anta International
51.17%
Anda Holdings
5.99%
Anda Investments
4.30%
Shine Well
0.35%
Talent Trend
0.04%
Public
38.15%
ANTA Sports Products Limited (Cayman Islands)
HKEX Stock Code: 2020
100%
ANTA Enterprise
(BVI)
ANTA Inv
(HK)
ANTA US
(US)
Henan ANTA
(PRC)
ANTA Logistics
(PRC)
Chenfeng
(PRC)
Dongyida
(PRC)
Shanghai ANTA Industrial
(PRC)
ANTA Style
(PRC)
Xiamen ANTA Trading
(PRC)
Fila Style
(PRC)



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



Origin Holding
(BVI)
ANKO Sports
(BVI)
50%
ANKING Sports
(BVI)
Origin Investment
(HK)
KOLON SPORT Holdings
(HK)
SKC Group
(HK)
KOLON SPORT IP
(Singapore)
Profit Dynamic
(HK)
Billion Treasure International
(HK)
Esteemed Elite Holdings
(BVI)
SKC US
(US)
Xiamen Feiyue
(PRC)
FNC Company
(PRC)
Yunli Trading
(PRC)

CORPORATE INFORMATION

Board	
Executive Directors	Ding Shizhong (Chairman) Ding Shijia (Deputy Chairman) Lai Shixian Wang Wenmo Wu Yonghua Zheng Jie
Independent Non-Executive Directors	Yeung Chi Tat Lu Hong Te Dai Zhongchuan
Company Secretary	Tse Kin Chung
Board Committees	
Audit Committee	Yeung Chi Tat (Chairman) Lu Hong Te Dai Zhongchuan
Remuneration Committee	Lu Hong Te (Chairman) Dai Zhongchuan Ding Shizhong
Nomination Committee	Lu Hong Te (Chairman) Yeung Chi Tat Lai Shixian
Risk Management Committee	Yeung Chi Tat (Chairman) Dai Zhongchuan Lai Shixian
Authorized representatives	Ding Shizhong Lai Shixian
Registered office	
Cayman Islands Office	Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands
Principal place of business in Hong Kong	
Hong Kong Office	16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong
Head offices in the PRC	
Jinjiang Office	Dongshan Industrial Zone, Chidian Town, Jinjiang City, Fujian Province, PRC Postal code: 362212
Xiamen Office	No. 99 Jiayi Road, Guanyinshan, Xiamen, Fujian Province, PRC Postal code: 361008
Share registrars and transfer offices	
Cayman Islands Principal Registrar	SMP Partners (Cayman) Limited Royal Bank House – 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands
Hong Kong Branch Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Legal adviser	Norton Rose Fulbright Hong Kong
Auditor	KPMG
Risk management and internal control review adviser	KPMG Advisory (China) Limited
Principal bankers	Agricultural Bank of China Bank of China Limited Bank of China (Hong Kong) Limited The Hongkong and Shanghai Banking Corporation Limited

2017 RECOGNITIONS AND AWARDS

ANTA Sports

Was awarded in the:

"Best IR Company", "Best IR by Chairman/CEO", "Best CFO", "Best IRO", "Best Investor Meeting", "Best IR Presentation Collaterals" during the HKIRA 3rd Investor Relations Awards 2017

"2017 Best in sector: Consumer Discretionary" and "Best use of Multimedia for IR" at the IR Magazine Awards

2017 Asia's Best Managed Company (Consumer Sector) by FinanceAsia

"CarbonCare® ESG Label" in the Carbon Care Innovation Lab

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

Was listed in the:

Hang Seng Corporate Sustainability Benchmark Index

Hong Kong Quality Assurance Agency under the HKQAA's Sustainability Rating and Research as the "Top 100 Rated Stocks 2017"

ANTA

Won the:

"World's Top 50 Most Valuable Apparel Brands 2017" by Brand Finance

"Top 100 Most Valuable Chinese Brands 2017 by BrandZ" organized by market research firm Millward Brown

Our 2016 Online Annual Report, "FIGHT ON"

Received the:

Silver Award in the "Consumer Durables – Textile / Apparel / Luxury" category during the LACP 2016 Vision Awards organized by the League of American Communications Professionals LLC

Revenue +25.1% to RMB 16.69 billion

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

FINANCIAL OVERVIEW

Year ended 31 December	2017	2016	Changes
	(RMB million)	(RMB million)	(%)
Revenue	**16,692.5**	13,345.8	⬆ 25.1
Gross profit	**8,241.1**	6,459.0	⬆ 27.6
Profit from operations	**3,988.7**	3,203.4	⬆ 24.5
Profit attributable to equity shareholders	**3,087.8**	2,385.5	⬆ 29.4
Free cash inflow	**2,662.2**	1,897.0	⬆ 40.3
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
– Basic	**117.01**	95.36	⬆ 22.7
– Diluted	**116.84**	95.16	⬆ 22.8
Shareholders' equity per share	**510.56**	381.57	⬆ 33.8
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Interim	**41**	34	
– Final	**41**	34	
– Special	**16**	8	
	98	76	⬆ 28.9
	(%)	(%)	(% point)
Gross profit margin	**49.4**	48.4	⬆ 1.0
Operating profit margin	**23.9**	24.0	⬇ 0.1
Margin of profit attributable to equity shareholders	**18.5**	17.9	⬆ 0.6
Effective tax rate	**26.7**	26.2	⬆ 0.5
Advertising and promotional expenses ratio (as a percentage of revenue)	**10.6**	11.4	⬇ 0.8
Staff costs ratio (as a percentage of revenue)	**12.0**	11.3	⬆ 0.7
R&D costs ratio (as a percentage of cost of sales)	**5.7**	5.1	⬆ 0.6

As at 31 December	2017	2016	Changes
	(%)	(%)	(% point)
Gearing ratio(1)	**0.8**	10.8	⬇ 10.0
Return on average total shareholders' equity(2)	**26.6**	26.3	⬆ 0.3
Return on average total assets(3)	**18.5**	17.9	⬆ 0.6
Average total shareholders' equity to average total assets	**69.8**	67.8	⬆ 2.0
	(days)	(days)	(days)
Average inventory turnover days(4)	**75**	61	⬆ 14
Average trade receivables turnover days(5)	**41**	39	⬆ 2
Average trade payables turnover days(6)	**51**	44	⬆ 7

Cautionary Statement Regarding Forward-Looking Statements

This Annual Report 2017 contains certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like "potential", "estimated", "expects", "anticipates", "objective", "intends", "plans", "believes", "estimates", and similar expressions or variations on such expressions may be considered "forward-looking statements".

Forward-looking statements involve inherent risks and uncertainties. Readers should be cautioned that a number of factors could cause actual results to differ in some instances materially, from those anticipated or implied in any forward-looking statement. Forward-looking statements speak only at the date they are made, and it should not be assumed that they have been reviewed or updated in the light of new information or future events. Trends and factors that are expected to affect the Group's results of operations are described in the section "Management Discussion and Analysis".

Notes:

(1) Gearing ratio is equal to the sum of bank loans and bills payable divided by the total assets at the end of the relevant year.

(2) Return on average total shareholders' equity is equal to the profit attributable to equity shareholders divided by the average balance of total shareholders' equity.

(3) Return on average total assets is equal to the profit attributable to equity shareholders divided by the average balance of total assets.

(4) Average inventory turnover days is equal to the average balance of inventories divided by the cost of sales and multiplied by the number of days in the relevant year.

(5) Average trade receivables turnover days is equal to the average balance of trade receivables divided by the revenue and multiplied by the number of days in the relevant year.

(6) Average trade payables turnover days is equal to the average balance of trade payables divided by the cost of sales and multiplied by the number of days in the relevant year.

RESULTS HIGHLIGHTS

FINANCIAL PERFORMANCE

Revenue increased by 25.1% to

RMB 16.69 billion

Gross profit margin increased by 1.0% point to

49.4%

Profit attributable to equity shareholders increased by 29.4% to

RMB 3.09 billion

Basic earnings per share increased by 22.7% to

RMB 117.01 cents

Payout of the profit attributable to equity shareholders

70.5%

OPERATIONAL PERFORMANCE

Number of ANTA stores (including ANTA KIDS standalone stores) in China

9,467

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

1,086

Number of DESCENTE stores in China

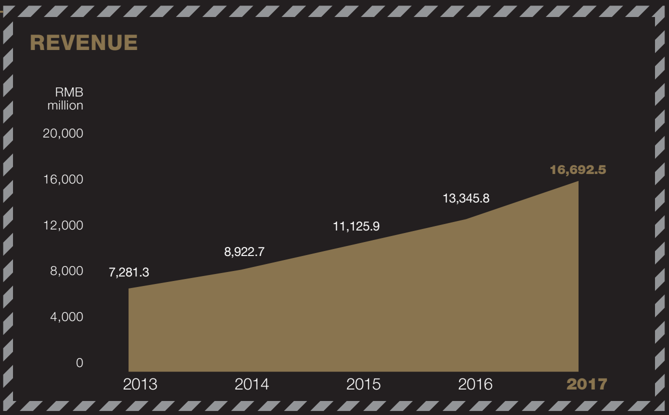
64

FIVE-YEAR FINANCIAL SUMMARY

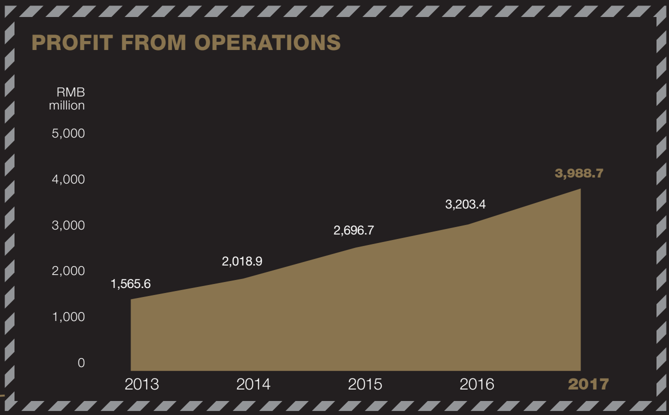
	2017	2016	2015	2014	2013
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	**16,692,492**	13,345,761	11,125,941	8,922,692	7,281,263
Gross profit	**8,241,147**	6,459,042	5,185,420	4,026,816	3,039,254
Profit from operations	**3,988,719**	3,203,372	2,696,682	2,018,863	1,565,599
Profit attributable to equity shareholders	**3,087,843**	2,385,546	2,040,573	1,700,310	1,314,835
Non-current assets	**3,632,275**	2,770,425	2,345,257	2,036,754	1,931,008
Current assets	**15,441,941**	11,453,116	10,156,699	9,346,996	8,187,139
Current liabilities	**4,498,352**	4,272,505	3,563,262	3,184,693	2,573,654
Net current assets	**10,943,589**	7,180,611	6,593,437	6,162,303	5,613,485
Total assets	**19,074,216**	14,223,541	12,501,956	11,383,750	10,118,147
Total assets less current liabilities	**14,575,864**	9,951,036	8,938,694	8,199,057	7,544,493
Non-current liabilities	**215,330**	54,705	124,451	194,477	195,368
Total liabilities	**4,713,682**	4,327,210	3,687,713	3,379,170	2,769,022
Non-controlling interests	**654,129**	347,703	234,577	209,423	195,137
Shareholders' equity	**13,706,405**	9,548,628	8,579,666	7,795,157	7,153,988
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Basic earnings per share	**117.01**	95.36	81.66	68.12	52.71
Diluted earnings per share	**116.84**	95.16	81.48	67.98	52.61
Shareholders' equity per share	**510.56**	381.57	343.03	312.19	286.69
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per share					
– Interim	**41**	34	30	25	19
– Final	**41**	34	30	28	22
– Special	**16**	8	8	8	7
Total	**98**	76	68	61	48
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	**49.4**	48.4	46.6	45.1	41.7
Operating profit margin	**23.9**	24.0	24.2	22.6	21.5
Margin of profit attributable to equity shareholders	**18.5**	17.9	18.3	19.1	18.1
Effective tax rate	**26.7**	26.2	26.2	22.7	24.1
Advertising and promotional expenses ratio (as a percentage of revenue)	**10.6**	11.4	11.5	12.0	11.1
Staff costs ratio (as a percentage of revenue)	**12.0**	11.3	11.2	11.0	10.3
R&D costs ratio (as a percentage of cost of sales)	**5.7**	5.1	5.2	4.3	4.0
Gearing ratio(1)	**0.8**	10.8	11.4	11.8	4.8
Return on average total shareholders' equity(1)	**26.6**	26.3	24.9	22.7	18.9
Return on average total assets(1)	**18.5**	17.9	17.1	15.8	13.0
Average total shareholders' equity to average total assets	**69.8**	67.8	68.6	69.5	69.0
	(days)	(days)	(days)	(days)	(days)
Average inventory turnover days(1)	**75**	61	58	58	59
Average trade receivables turnover days(1)	**41**	39	33	35	38
Average trade payables turnover days(1)	**51**	44	41	54	65

Notes:

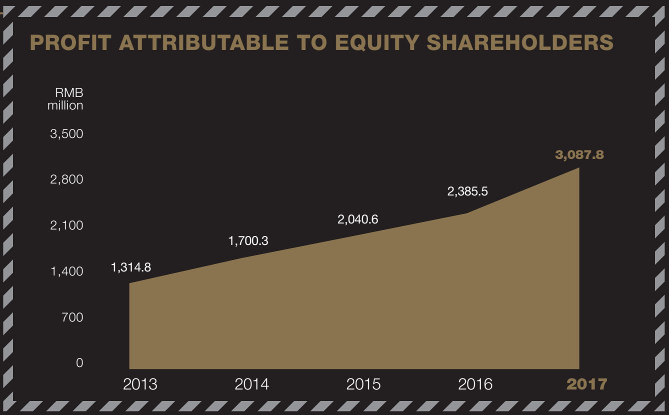
(1) Please refer to notes on page 8 of the annual report for the definitions of gearing ratio, return on average total shareholders' equity, return on average total assets, average inventory turnover days, average trade receivables turnover days and average trade payables turnover days.



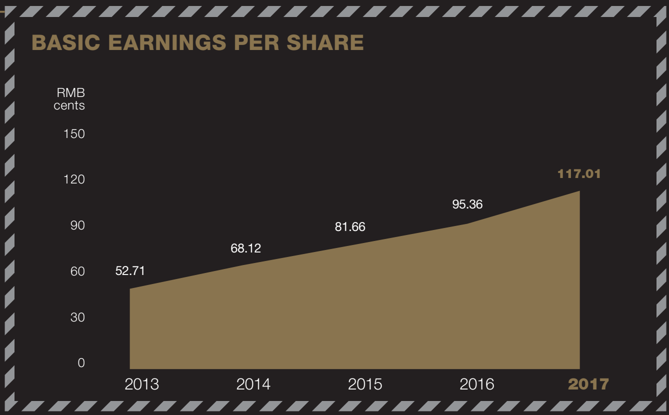
REVENUE
RMB million
20,000
16,000
12,000
8,000
4,000
0
7,281.3
8,922.7
11,125.9
13,345.8
16,692.5
2013
2014
2015
2016
2017



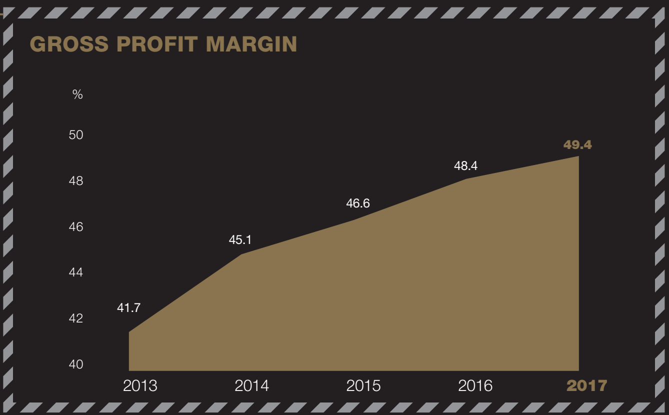
PROFIT FROM OPERATIONS
RMB million
5,000
4,000
3,000
2,000
1,000
0
1,565.6
2,018.9
2,696.7
3,203.4
3,988.7
2013
2014
2015
2016
2017



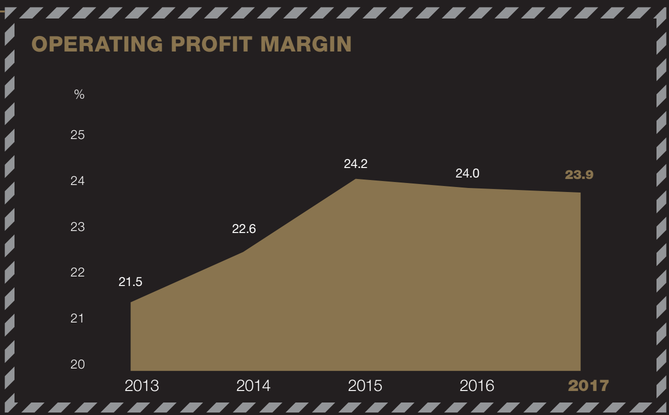
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
RMB million
3,500
2,800
2,100
1,400
700
0
1,314.8
1,700.3
2,040.6
2,385.5
3,087.8
2013
2014
2015
2016
2017



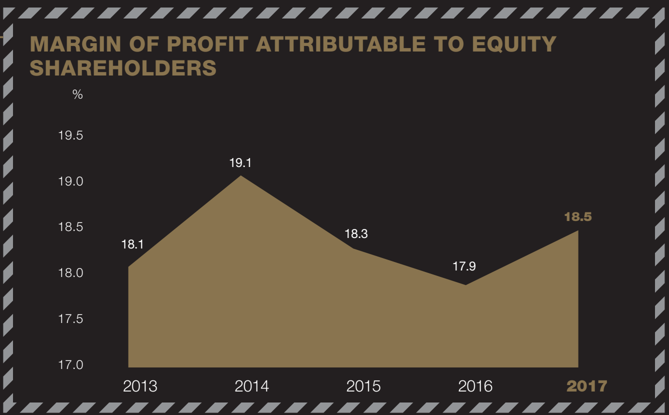
BASIC EARNINGS PER SHARE
RMB cents
150
120
90
60
30
0
52.71
68.12
81.66
95.36
117.01
2013
2014
2015
2016
2017



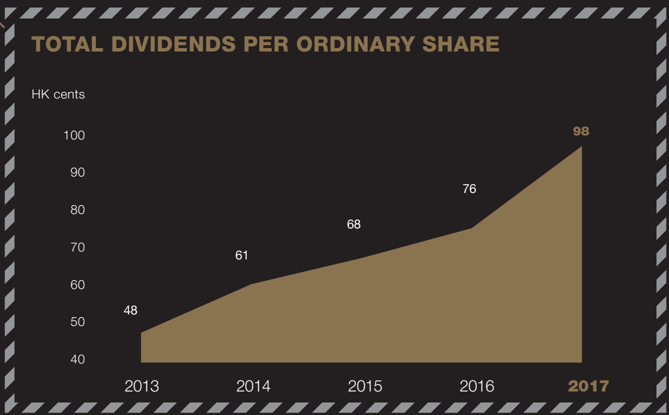
GROSS PROFIT MARGIN
%
50
48
46
44
42
40
41.7
45.1
46.6
48.4
49.4
2013
2014
2015
2016
2017



OPERATING PROFIT MARGIN
%
25
24
23
22
21
20
21.5
22.6
24.2
24.0
23.9
2013
2014
2015
2016
2017



MARGIN OF PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS
%
19.5
19.0
18.5
18.0
17.5
17.0
18.1
19.1
18.3
17.9
18.5
2013
2014
2015
2016
2017



TOTAL DIVIDENDS PER ORDINARY SHARE
HK cents
100
90
80
70
60
50
40
48
61
68
76
98
2013
2014
2015
2016
2017

MILESTONE OF 2017

January

Publishing of Research Report on China Sports Market in Partnership with The Economist

Produced by the "Economist Corporate Network" with support from us, "China gets its game on: The emerging power of China's sports and fitness industry", marked the first time a China sportswear company has come together with an authoritative international economic and financial media outlet to research the scale and potential of the sports and fitness industry in China. The research report was full of insights, primary data pointing to opportunities and challenges of the growing industry. Subsequently, the report was quoted extensively by media globally.

March

ANTA Launched ANTAUNI to Enhance Product Customization

ANTAUNI enabled customers to fully customize each purchase, creating a pair of "unique" ANTA shoes, taking an important step towards product customization.

June

ANTA KT2 Sneakers Carried Klay Thompson to Second NBA Championship

Our endorser, Klay Thompson, put in a remarkable performance to help his team reclaimed its championship title at the NBA finals. The match marked the second time the team has won the championship with Klay Thompson in its lineup.

July

ANTA Sports marked its 10th Anniversary of Listing in Hong Kong; Establishing the ANTA Charity Foundation

The 10th anniversary of listing in Hong Kong was celebrated with a gala dinner and an investor day on 10 July at the Asia World-Expo in Hong Kong with one of the largest exhibitions of brands in the Company's history. Meanwhile, we announced with the China Youth Development Foundation and Shanghai Adream Foundation to launch the "Moving for the Future" CSR campaign by investing more than RMB500 million in capital and equipment over the next ten years to support 10 million poor Chinese teenagers in 34 provinces in China.

September

ANTA Became the Official Sportswear Partner for the Beijing 2022 Olympic and Paralympic Winter Games

ANTA continued to be the sportswear partner of the COC and became the official sportswear partner for the Beijing 2022 Olympic and Paralympic Winter Games. ANTA will provide Chinese athletes with sportswear containing Chinese elements to showcase China's national image.

September

ANTA Sports Acquired Popular Kidswear Brand KINGKOW

The acquisition of KINGKOW would not only help us to reinforce its presence in the kidswear market, but also strengthen our multi-brand strategy in the kidswear market.

September

ANTA Sports Completed Formation of Joint Venture Company for KOLON SPORT

We completed the formation of joint venture company to operate KOLON SPORT business in China, Hong Kong, Macao and Taiwan.

March

The Group Produced Eco-friendly Footwear and Apparel with the Latest Technologies from the Chemours and Noble Biomaterials, Inc.

We became the only local sportswear company in China to receive Chemours' license to use Teflon EcoElite™ brand for the promotion of ANTA sportswear products. We also formed a strategic alliance with Noble Biomaterials, Inc., which provided us with XT2® Technology, a best-in-class odor elimination solution which utilized the properties of silver to stop odors developing by inhibiting the growth of bacteria and fungi that consumed sweat.

June

ANTA launched A-Livefoam Running Shoes at the 2017 Urban Orienteering Race in Jinan

Renowned Chinese ultra-marathon runner Chen Penbin and Chinese actress Zhang Li kick-started both the launch of A-Livefoam running shoes and the multi-city orienteering race in Jinan, China. The A-Livefoam running shoes allowed runners to exert much more power while maintaining stability, and provided even more protection for runners' ankles.

July

ANTA Boosted our Soccer Product Line with ANTA LION II Soccer Shoes

The fully redesigned ANTA LION II was revolutionary, which utilized manufacturing technology combining lightweight, water proof and cushioning materials.

July/August

Klay Thompson and Manny Pacquiao's China Visit

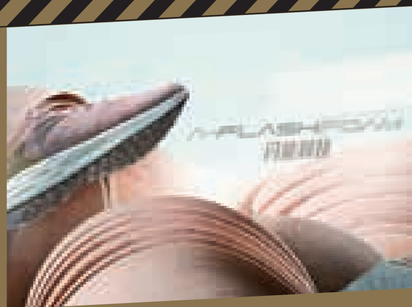
Klay Thompson and Manny Pacquiao, visited China in July and August respectively, sharing their experiences as professional athletes and endorsers of a Chinese brand. With their influences in respective sports areas, we hoped to further enhance the public awareness of sports in China.

December

First Batch of "ANTA Adream Center" Officially Opened to Support Education in Remote Areas of China

Our "ANTA Adream Center" charity project, a charity project jointly organized and promoted by the Group and Shanghai Adream Foundation, had been officially launched, with aim to provide classrooms with integrated educational support services to students in remote areas of China, enabling them to access higher-quality education through the internet, multimedia books and multimedia courses.

December



ANTA A-Flashfoam Technology Made a Striking Debut

We launched the first running shoes featuring A-Flashfoam, a self-developed shoe sole technology. The addition of FlashFoam effectively allowed runners to reach a higher speed while reducing the potential for physical injury by softening the landing impact.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2017.

A DECADE'S WORTH OF OUTSTANDING PROGRESS HAS CREATED THE "GREAT BRAND"

In 2017, ANTA experienced a year full of opportunities and challenges. Having overcome all the obstacles and difficulties, ANTA successfully made solid progress and attained measurable achievements amid various uncertainties. Last year marked the 10th anniversary since we were listed in Hong Kong in 2007, and was a year of strategic transformation for ANTA from a traditional private company into an internationally competitive listed corporation with modern governance standards. Over the past decade, we have experienced the surge in consumption and purchasing power, a transformation in retail channels, and witnessed the rise of the internet and e-commerce. We have seized each opportunity to make ANTA the "Great Brand". ANTA has grown into the largest domestic sportswear brand in China and the third largest in the world, with its market capitalization reaching HK$100 billion. In 2017, we added KOLON SPORT and KINGKOW into our brand portfolio. We also opened many bigger stores with improved quality. I would like to extend my gratitude for the continuous support of all our customers, supply chain partners, brand partners, distributors and franchisees etc. Additionally, I also would like to express my sincerest thanks to all of our employees whose dedication and hard work have been the driving force that has pushed the Company to a new level of success.

In 2017, with notable growth in both online and offline sales of ANTA, and with the robust performance of other brands in our product portfolio, we recorded a 25.1% increase in revenue to RMB16.69 billion (2016: RMB 13.35 billion). Profit attributable to equity shareholders rose by 29.4% to RMB3.09 billion (2016: RMB2.39 billion), with basic earnings per share amounting to RMB117.01 cents (2016: RMB95.36 cents). To reward our shareholders, the Board has proposed a final dividend of HK41 cents per ordinary share (2016: HK34 cents) and a special dividend of HK16 cents per ordinary share (2016: HK8 cents), together with an interim dividend of HK41 cents per ordinary share (2016: HK34 cents) which was paid in September 2017, representing a payout ratio of 70.5% of profit attributable to equity shareholders for the year (2016: 73.2%). It is especially noteworthy that our e-commerce channels made a significant contribution towards our satisfactory sales results, delivering record-breaking results during the "Double 11" promotion period in 2017, which showcased our rapid development in the e-commerce space.

PARTNERING WITH THE OLYMPIC GAMES, GRASPING DEVELOPMENT OPPORTUNITIES

The 19th National Congress of the Communist Party of China mapped out a path towards a new economic development path for the country, highlighting the vital role of domestic consumption. As domestic consumption continues to grow and the external economic environment remains stable, we believe the overall consumer market will maintain steady growth. Meanwhile, the 19th National Congress specifically promoted national fitness, which will create a new market structure and opportunities for the sports industry. With the Beijing Olympic and Paralympic Winter Games approaching, we believe that our sponsorship of the Chinese Olympic Committee Winter Olympic Delegation will again enhance ANTA's influence globally. In the PyeongChang 2018 Olympic Winter Games, we are happy to see the Chinese Olympic team setting amazing records wearing ANTA's winter sportswear.

To fully grasp market opportunity and enhance our operational efficiency, our new logistics center will commence operation in 2018, greatly enhancing the efficiency of our supply chain from production to sales. It will continue to maximize our capacity to meet growing demand and pave the way for developing a market for personalized products.

FROM CHINA TO THE WORLD, UPHOLDING OUR MULTI-BRAND STRATEGY

Our "Single-Focus, Multi-Brand, and Omni-Channel" strategy has laid a solid and sound foundation. The journey of ANTA's brand from a mass market position to the high-end market, from professional sports to popular sports, and from high-end athleisure to urban stride, as well as outdoor frontiers, all have ensured the Group caters for every consumer's requirements. Moreover, we have always been focused on sports footwear, sports apparel and related products. We believe that this strategy will continue to lead us towards success.

We will not be complacent with only being the leading multi-brand company in China as we aspire to become competitive multi-brand company in the world. To that end, we are launching our globalization strategy in 2018. Through product innovation and R&D investment, we hope athletes will fight for glory with our sportswear and that the public will break through their limits with our products. We will tap into the global market with our best brands.

In the future, we will continue our focus on the sportswear industry. Aside from existing brands, we will continue to seek high-end international sportswear brands with growth potentials to meet the needs for sportswear and to fill the gaps between different market segments. Meanwhile, we will continue to improve our product differentiation and increase our market share in the categories of running, boxing, basketball, female fitness, cross-training and skiing. In the next ten years, we believe that e-commerce will continue to grow at a fast pace, making it a major channel alongside shopping malls, while the street stores strategy will shift its focus from "quantity over quality" to "quality over quantity".

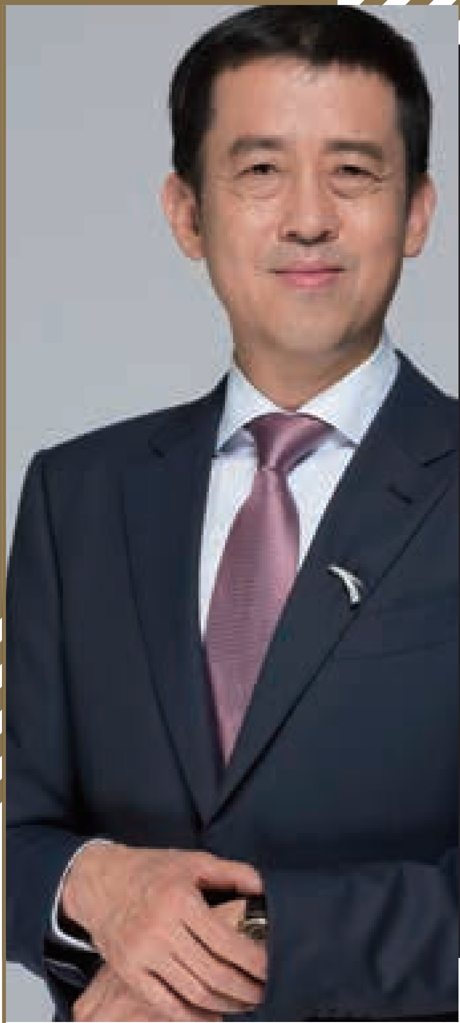
On behalf of the Board, I would like to extend my gratitude to all our shareholders for their continuous support. A person alone can walk fast, but a team can walk further. Looking ahead, we will ensure to maintain our sustainable and steady development with the help of our stakeholders, and create even greater value for our shareholders.

Ding Shizhong
Chairman

Hong Kong, 27 February 2018

EXECUTIVE DIRECTORS

Mr. Ding Shizhong
Chairman & CEO



Mr. Ding Shijia
Deputy Chairman

Mr. Lai Shixian
Executive Director & COO

Mr. Wu Yonghua
Executive Director &
Group Sales President

Mr. James Zheng
Executive Director &
ANTA Brand President

Gao Yuanyuan
A Chinese celebrity


Gross Profit +27.6% to
RMB 8.24 billion
Gross Profit Margin 49.4%

MARKET REVIEW

China's Economy in Transition, Moving from High-speed to High-quality Growth

In 2017, China's economy sailed through a difficult year filled with global uncertainties and challenges.

According to the National Bureau of Statistics of China, China's GDP growth rate was 6.9% in 2017, a total GDP of RMB82.7 trillion, slightly better than 6.7% in 2016. The total retail sales of consumer goods grew 10.2% to RMB36.6 trillion, representing 44% of total GDP, thus becoming the main driver. Urban and rural per capita disposable income increased 6.5% and 7.3% respectively, which undoubtedly stimulated China's consumer market.

On the other hand, China's CPI grew 1.6% in 2017, suggesting that China is currently going through a mild inflationary phase. The growth of the Chinese sportswear industry remained relatively solid supported by a number of factors, including a rise in disposable income, preparation for certain large sporting events, policy support, a growth for sports passion amongst the general public, and the increasing trend for Chinese to pursue a healthy lifestyle.

With the aim of increasing mid to high end consumption, China also set up the goal of building advanced manufacturing and moving up the value chain. China made more effort in elevating the quality of consumer goods. We believe this initiative will be a new engine for Chinese economic growth.

Leveraging the Competitive Edge on Our Comprehensive Brand Portfolio to Enhance Market Penetration in All Segments

China's sportswear market continues to expand with changing consumer behavior and surging demand. Meanwhile, consumer preferences increasingly focus on the pursuit of personality, value and experience. Moreover, distribution channels are also going through structural changes with further integration of online and offline channels. We also found that Chinese consumer segmentation varies from city to city in terms of demographics, distribution channels and spending power. Therefore, we need to continue to leverage our "Single-Focus, Multi-Brand and Omni-Channel" strategy to further penetrate different market segments in China.

Based on our analysis of the market, we found that the China market is unique in its growing appetite for "athleisure" fashion and a stronger demand for "functional", "differentiated" and "premium" sportswear products. As a result, sportswear brands need to be nimble in response to market demand, from R&D stage to design, and from production to distribution and logistics in order to keep up with consumer demands. In response to these challenges, we have built a highly efficient supply chain, with a new logistics center that is set to commence operation in 2018, which will further reduce lead times and increase responsiveness to consumer needs. In the meantime, we entered into a "Trademark/Copyright License Agreement" with the Chemours Company for Teflon EcoElite™ renewably-sourced water repellent. This agreement allowed us to become the sole sportswear company in China to have a Teflon EcoElite™ trademark/copyright license and launch our ANTA product line, the "Rain-Breaker" using Teflon EcoElite™. In the first half of 2017, we also launched the first running shoes featuring A-Livefoam technology. This technology improved the comfort as well as breathability of the shoes, allowing runners to exert much more power while maintaining stability and providing even more protection for runners' ankles.

During the year, not only did the Group's revenue and profit attributable to equity shareholders hit a record high, but also both the Group and ANTA itself have won a variety of awards. The Group won "2017 Best in sector: Consumer Discretionary" and "Best use of Multimedia for IR" at the IR Magazine Awards, "CarbonCare® ESG Label" from Carbon Care Innovation Lab, and "Asia's Most Honored Company" from Institutional Investor. In addition, ANTA Sports has been once again included in the Hang Seng Corporate Sustainability Benchmark Index and listed in the "Top 100 Rated Stocks 2017" list by the Hong Kong Quality Assurance Agency under the HKQAA's Sustainability Rating and Research. Moreover, ANTA was named one of "World's Top 50 Most Valuable Apparel Brands 2017" by Brand Finance, and was listed as one of the "Top 100 Most Valuable Chinese Brands 2017 by BrandZ" organized by market research firm Millward Brown because of its outstanding brand equity, a testament to the popularity of ANTA products. We were also pleased to see that Klay Thompson, an ANTA brand endorser and sharpshooter for the Golden State Warriors, put in a remarkable performance to help his team reclaim its championship title at the NBA finals. His performance prompted ANTA to run a series of successful marketing campaigns in China, such as the "Shock The Game" Campaign, to further enhance the reputation of ANTA and stimulate sales. Moreover, ANTA KIDS, FILA, FILA KIDS and DESCENTE have all made satisfactory progress, demonstrating the success of our multi-brand and omni-channel strategy in capturing important opportunities in both the mass and high-end markets.

Who We Are?

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

What Are Our Target Markets?

HIGH-END TO MASS MARKET

DESCENTE
Functional sportswear for skiing, cross-training and running

FILA
Sports fashion clothing

FILA KIDS
Kid's sports fashion clothing

KINGKOW
Kid's fashion products

KOLON SPORT
Outdoor sportswear products

SPRANDI
Leisure footwear

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

ANTA KIDS
Kid's sportswear

NBA
Fuctional and causal basketball sportswear products

What Retail Channels Do We Cover?

Online Stores

Street Stores

What Do We Do?

SUPPLY CHAIN MANAGEMENT

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

BRAND MANAGEMENT

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

PRODUCT MANAGEMENT

- R&D / Innovation
- Design
- Quality Control

DISTRIBUTION NETWORK MANAGEMENT

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

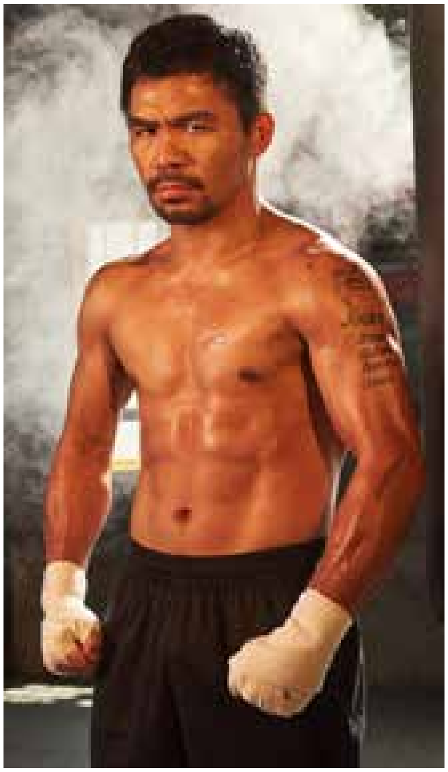
- Shop-in-shop (Malls and Department Stores)
- Outlet Stores

BUSINESS REVIEW

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

The “Single-Focus, Multi-Brand and Omni-Channel” operation model has enabled us to focus on the sportswear business in China, while creating a competitive edge and sustainable growth with multiple brands capturing multiple segments and consumer demographics to serving the distribution network with an integrated supply chain, we have stayed ahead of our competition, delivering consistent returns to stakeholders.

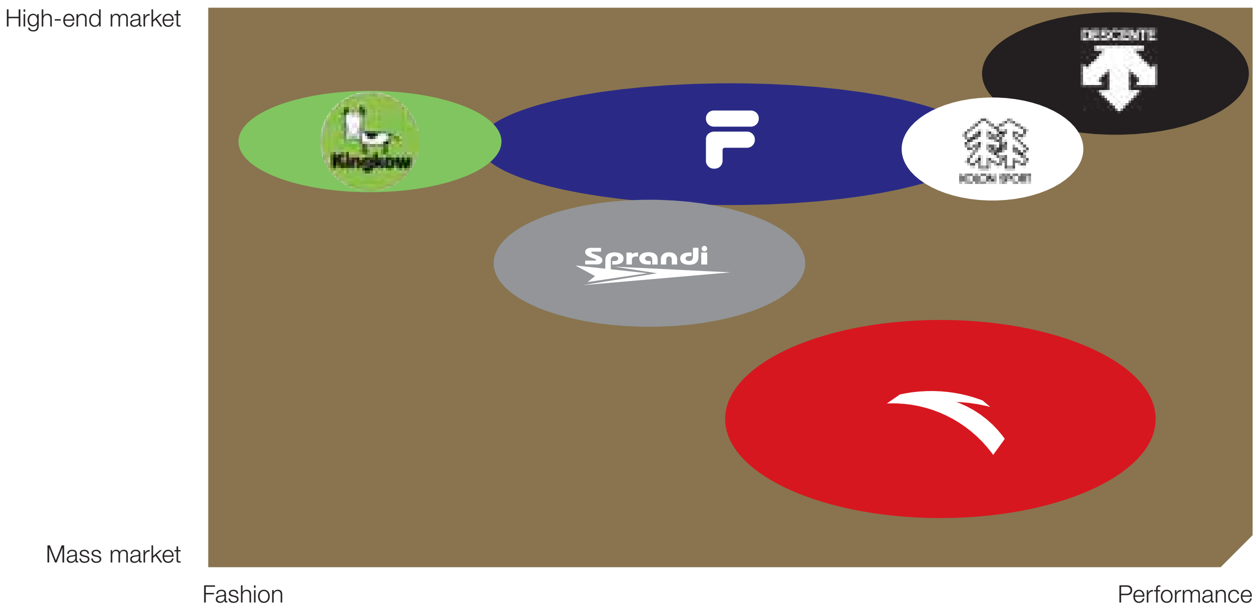
During the year, we continue to leverage on our unique operation models and strengthen our competitiveness, especially in terms of our ability to grow our market share in multiple consumer segments. With the perfection of our “Single-Focus, Multi-Brand and Omni-Channel” strategy, together with our existing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



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

Full Coverage

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



2. BRAND MANAGEMENT

2.1 ANTA

As a leading brand in China's sportswear industry, ANTA produces value-for-money functional products across a diverse range of sports categories, from popular sports such as running, cross-training, basketball and football, to professional and niche sports, such as boxing. ANTA enables professional athletes, sports enthusiasts and individuals to enjoy sport activities with appropriate product. ANTA adopts consumer-centric strategy, to pursue product innovation and superior consumer experience. The efforts are highly recognized in the industry and by consumers. For instance, ANTA was ranked 35th in the "World's Top 50 Most Valuable Apparel Brands 2017" by Brand Finance, the only Chinese sportswear brand to be named. ANTA was also ranked as one of "Top 100 Most Valuable Chinese Brands by BrandZ" organized by market research firm Millward Brown, proving the appeal of its brand. These awards evidenced the remarkable results achieved by ANTA during the year.

As a company tradition, ANTA continued to support Chinese athletes to showcase their outstanding performance. We have sponsored 24 Chinese national teams within the four major sporting management centers and Chinese Rowing Association, including winter sports, boxing and taekwondo, gymnastics and weightlifting, and wrestling and judo. During competition and training, all members of these national teams were well-equipped with our professional sporting gear. This do not only enhanced the credibility of our products, but also further strengthened our brand reputation for representing China's sporting essence. Our successful cooperation with the China's Olympic team continues, ANTA once again started two Olympic cycles of partnership with the COC and CSD, and became the official sportswear partner for the Beijing 2022 Olympic and Paralympic Winter Games, ANTA will provide best quality sportswear products, and will take the opportunity to help promote the positive image of China to the world.

Running continues to play an important role in our product portfolios. ANTA launched its innovative "Run For A Life" campaign in several cities including Jinan and Taiyuan, which not only showcased ANTA's new A-Livefoam technology running shoes, but also challenged people to go beyond their limits and live up to their full potential. A-Livefoam technology improves the comfort as well as the breathability of the shoes, allowing runners to exert much more power while maintaining stability, and providing even more protection for runners' ankles. We believe that, runners can run faster and better with ANTA's support. In March, ANTA launched ANTAUNI, which empowered consumers to fully customize their shoes. This showcased our effort to tailor-made products to raise consumer experience and apply big data to support online and offline sales.

ANTA continued to work in partnership with 2017 NBA Championship player, Klay Thompson, to develop the highly functional and well-designed shoes ahead of the NBA Playoffs and launched the "God Thompson Mode" marketing campaign in China during the 2017 NBA Playoffs and NBA Finals to rally support among Chinese fans for their favorite basketball icons. Based on the success of previous KT series, we launched KT3 in the second half of 2017. KT3 provided more stability but still with good flexibility, which attracted attention from both sneaker lovers and basketball fans. Moreover, ANTA enjoyed unprecedented global exposure to millions of basketball fans as Klay Thompson wore the signature KT2 shoes during the 2017 NBA Finals. During Klay Thompson's China tour, ANTA went beyond conventional marketing activities to launch the "Shock The Game" campaign across 12 cities in China, which

fully utilized both online and offline channels to create brand awareness and deliver sales growth. Posts related to “Shock The Game” garnered over 77 million views on Sina Weibo and attracted live audiences of over 30 million globally via video streams, which reinforced ANTA’s leading brand position. The campaign was a clear effort to connect with consumers and give them clear and compelling reasons to buy ANTA’s products.

Besides Klay Thompson, we also make the best of our endorser strengths to boost our cross-training segment. Manny Pacquiao, the legendary Filipino boxing champion who has been an ANTA brand endorser since 2016, has strengthened the brand identity of ANTA’s cross-training series.

Besides our popular sportswear for men, the development of our women sportswear products is also growing in momentum. We have executed a marketing strategy to maximize the opportunity in this segment, based on the trendy branding concept, strong endorser resources, high-quality products, and huge user base. ANTA has been building up the female fitness platform to facilitate the online and offline marketing integration. In June, ANTA named female actress, Zhang Li, to feature in its women’s cross-training promotional campaign “Freshness”, which was an initiative to seize growing opportunities.

As for football, ANTA Lion II football shoes were launched during the year. ANTA’s brand ambassador, Zheng Zhi, the current captain of China’s national soccer team, unveiled this newly upgraded product. We believe this product can further facilitate promote ANTA’s football image and create synergies with ANTA KIDS football products. We also understand that college football has a key function to play in the development of China’s football. ANTA therefore sponsored the Chinese college football league in 2017.

Profit from Operations +24.5% to RMB 3.99 billion

Operating Profit Margin 23.9%

Chen Kun,
A Chinese celebrity

2.2 ANTA KIDS

ANTA KIDS has been tapping into the high growth kids sportswear market in China since 2008 by producing sportswear products for children aged 0 to 14. Following the introduction of the two-child policy by the Chinese government, it is widely expected that growth in children's apparel market will accelerate. Although the market is currently fragmented, ANTA KIDS was the first domestic sportswear brand to enter into the market and enjoys a distinct early entry advantage. The brand has successfully enhanced the desirability of its products among consumers and has expanded its market share by providing value-for-money products. ANTA KIDS is therefore well-positioned to take advantage of the growing opportunities in this market.

ANTA KIDS has chosen "Grow Up with Fun" as its slogan, which reflected the desire for children to enjoy sports and to grow up healthily and happily, and helped to establish its sporty, energetic, interesting and inspiring brand image. Apart from running, basketball, outdoor, cross-training and lifestyle series, ANTA KIDS has also included a soccer series in response to the government's strong support for the development of youth soccer by providing soccer apparel and soccer shoes. During the year, ANTA KIDS also launched a series of crossover collection products, including popular characters Minions, Hello Kitty and Despicable Me movie series, which received an overwhelming response from the customers.

ANTA KIDS has utilized website and popular social media platforms to promote the quality of products and nurture children's passion for sports through a series of promotional campaigns. During the year, ANTA KIDS launched a series of marketing campaigns across China, including the highly successful video of "Letter to Mom" on Mother's Day, generating 50 million of hits and landing clip on the top three hot topics list on Weibo. Also, we have created a record area of 20,000 sqm for kids' sports for the "Sports Day" launched on 30 May 2017 in Beijing. This event has attracted over 3,000 participants and over 10 million of online audiences. Meanwhile, ANTA KIDS collaborated with McDonald's in hosting the 4th McHappy Run, giving children a chance to find the simplest and purest fun and joy in sports as part of their unforgettable experience when growing up. ANTA KIDS also cooperated with Tuniu.com to launch a wonderful snow trip for families. Selected families enjoyed a tour to Heilongjiang Province, experiencing various local attractions, promoting ANTA KIDS winter sportswear first-hand.

2.3 FILA and FILA KIDS

We have repositioned FILA as a high-end sports fashion brand after acquiring the FILA business in China in 2009. Upholding its concept of "Live Your Elegance", Gao Yuanyuan and Chen Kun, two renowned Chinese celebrities, started featuring in FILA advertising campaigns in China. This together with cross-border collaboration, as well as overall improvement in brand credibility in China, has resulted in promising sales performance during the year.

FILA's unique combination of stylish and sporty image has gained awareness among Chinese high-end consumers. Riding on the success of launching the FILA RED, FILA WHITE and FILA ORIGINALE series targeting different customer segments, we also rolled out the FILA BLUE series in 2017 which targets high-end consumers aged between 34 and 45, along with other professional sporting products. In addition to unveiling the FILA High-intensity Interval Training (HIIT) training shoes, FILA also introduced the FILA ULTRA FIT EARTHDAY special edition series to promote environmental protection and sustainable development.

FILA's crossover series includes the FILA Ginny collection, designed by renowned American fashion designer, Ginny Hilfiger, who has integrated her

simple, trendy yet elegant design style with FILA's "Modern Vintage" essence into the FILA Ginny Line. For the past three years, we have collaborated with Jason Wu, the New York-based Chinese American fashion designer, to develop the Jason Wu x FILA cross-over series. During the year, we partnered up with US fashion brand "Staple" to launch the Staple x FILA crossover series, featuring its famous Pigeon icon. In addition, FILA introduced b+ab x FILA 2017 Autumn & Winter series by joining hands with "b+ab", a famous fashion brand in Hong Kong. This series featured FILA's sporty style and "b+ab"'s young image, with the theme of "A Day of FILA". Every product under this theme has been printed with a FILA logo and slogan to enhance the branding. Different crossover series did not only expand our product portfolio, but also allowed remarkably positive responses from customers.

While FILA stores are mainly located in first- and second-tier cities in China, the brand continues to open stores in cities with potential across China and within the region.

MANAGEMENT DISCUSSION AND ANALYSIS

As part of its plan to continuously upgrade and refresh stores, FILA has worked to enhance store efficiency by expanding the size of its stores. During the year, FILA opened its first store in Singapore at the ION ORCHARD shopping mall, marking yet another milestone for FILA's growth in the region.

FILA KIDS launched in China in 2015 with the aim of providing high-end apparel and footwear for children aged 7 to 12. The FILA KIDS collection has gained appeal among consumers and has continued to grow, inheriting the elegant and unique style of the FILA brand. We expect FILA KIDS to continue its growth trajectory and to make a meaningful contribution to FILA brand's overall sales.

To bolster FILA's business growth, we believe the most effective way is to expand its consumer base. As part of its specialization strategy, FILA has launched several initiatives, including the omni-touchpoint marketing campaign, opening fusion stores that appeal to younger consumers, announcing several cross-over branding collaborations, product placements as well as developing a membership system. All of the above have significantly increased the reputation of the FILA brand throughout China.

Furthermore, FILA sponsored reality TV shows in China in which the celebrities showcased the latest FILA outfits and accessories. FILA also received positive reviews and media attention through its sponsorship of the Hong Kong Olympic team and the Hong Kong Table Tennis Association. These partnerships have created opportunities for FILA to demonstrate its traditional and unique style at major international sporting events.

2.4 DESCENTE

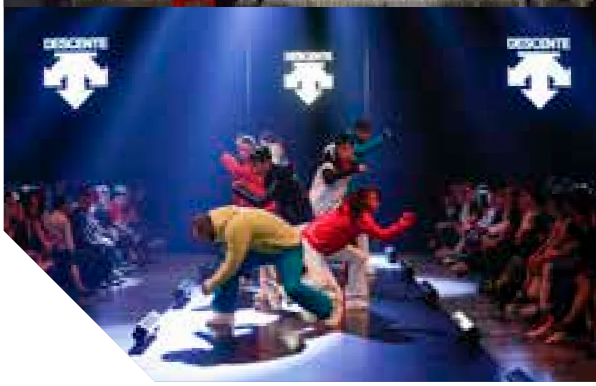
In 2016, we formed a joint venture company to operate and engage in the business of design, sale and distribution of products bearing the "DESCENTE" trademark exclusively in China. DESCENTE provides high-end sportswear products for skiing, cross-training and running, amongst others, in China. In addition to the above collections, DESCENTE's series also expanded to Allterrain and summer premium sports lifestyle options for men and women during the year.

DESCENTE has capitalized on its specialty and quality sportswear, and has quickly established its brand position as a premium and professional sports brand in China. Leveraging its 82-year brand heritage, DESCENTE targets customers aged 25-35 who seek functional and well-designed products. It has been active in expanding its retail footprint in high-end segments of the Chinese sportswear market, becoming the brand of choice for skiing, cross-training and running enthusiasts. This has improved the brand's sales performance, showing it plays a crucial role in our multi-brand strategy.

During the year, DESCENTE launched its "AWAKEN!" campaign at a brand show with the aim of raising awareness of the brand among its target audiences in China. As part of the "AWAKEN!" campaign, DESCENTE launched the BLAZE Z series running shoes, which utilize advanced technology to make the shoes lightweight and ensure runners enjoy a relaxed running experience. The brand also launched its DESCENTE premium running apparel that incorporates modern design and Italian lining, which helps runners to feel the rhythm and joy of running. With its outstanding quality and design, DESCENTE's Mizusawa Down Jacket has been welcomed by the market during the winter season.

In addition, DESCENTE held its first fashion show in Shanghai, which was a great success and received a lot of positive feedback. Meanwhile, DESCENTE launched a membership system to build brand loyalty and facilitate interaction with consumers. During the year, DESCENTE invited its members to join our triathlon world champion and skiing trip to Lake Songhua. Moreover, DESCENTE ran a limited promotion in June to raise the profile of its Tmall flagship store (descente.tmall.com) among online customers, which helped to facilitate the brand's move from being predominately offline retail store-based into online sales.

Winter sports in China are on track for a major boost as the country prepares to host the Beijing 2022 Olympic and Paralympic Winter Games, and in preparation, the Chinese government has pledged to promote winter sports and increase the number of winter sports participants to 300 million in the future. With its focus on meeting the needs of the fast-growing but niche winter sports market, we are confident that DESCENTE will become one of the most successful sportswear brands in China ahead of the Beijing 2022 Olympic and Paralympic Winter Games.



2.5 SPRANDI

Established in 1995, SPRANDI is a footwear and clothing brand operating in the fields of sports, outdoor and lifestyle and focusing on city running products in China. During the year, SPRANDI began to expand its business by opening more physical stores and e-commerce platforms. We see the introduction of SPRANDI as an effective addition to covering the smart-causal sportswear market for middle-class customers.

In terms of brand enhancement strategy, we will continue to enhance the core competencies of the SPRANDI and its products by increasing design originality and innovation in science and technology of products. During the year, a renowned Chinese celebrity, Olivia Wang, became our endorser and was featured in advertising campaigns in China. In order to strengthen customer loyalty to SPRANDI, SPRANDI paid a lot of attention in building the membership system on WeChat. We also organized membership activities to allow them to experience the joy of running. Meanwhile, we will seek collaboration opportunities with renowned fashion magazines and continue to promote SPRANDI in China.

3 DISTRIBUTION NETWORK MANAGEMENT

3.1 Omni-channel Management

We continue to implement our retail-oriented strategy and have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. We have also conducted ongoing research on our target customers to find out more about their specific desires as well as to create a more comfortable shopping environment within our stores. In the meantime, we have optimized our retail management capability while enhancing our retail channels in China, including street stores, shopping malls, department stores, outlet stores and e-commerce platforms.

We organize quarterly trade fairs to launch and sell new seasonal collections of ANTA and ANTA KIDS products. These trade fairs occur approximately six months ahead of the introduction of a new season's products to the market to allow smooth order placements and product manufacturing. During the year, ANTA introduced new styles in over 1,200 footwear, 2,900 apparel and 990 accessories.

In order to offer professional and value-for-money sportswear products, we have established a nationwide distribution network for ANTA, creating a competitive advantage in second- and lower-tier cities. Most ANTA stores come in the form of street stores, but we are also actively expanding our presence in large shopping malls and department stores. During the year, we also continued to streamline and upgrade our retail management practices by introducing ANTA's eighth generation stores to deliver the latest customization services and improve shopping experiences for consumers. In these eighth generation stores, our products are displayed to offer maximum efficiency, appeal to shoppers, and ensure customers can find suitable products easily and comfortably. We have designed each store with a theme embodied in the central display area, while each layout has its own unique, attractive characteristics.

The children's sportswear market has experienced rapid growth over the past few years and the momentum is expected to remain strong, supported by the implementation of China's two-child policy. In light of the promising opportunities in this market, the ANTA KIDS sportswear series, with its value-for-money and comfortable products, has successfully targeted the children's segment for wearers aged 0 to 14 in the mass market. ANTA KIDS stores also focus on second- and lower-tier cities.

While the mass market is expected to grow rapidly, the potential of the high-end market should not be overlooked. High-end consumers tend to pay attention to details and prefer personalized products. FILA and DESCENTE have created a platform to capture the high-end sportswear market with their fashionable and professional products. With a view to targeting the high-end children's market, FILA launched FILA KIDS. FILA KIDS continues to gain awareness in high-end market by incorporating the unique and elegant style of the FILA brand into FILA KIDS products. DESCENTE, FILA and FILA KIDS stores are mainly located in shopping malls and department stores in first- and second-tier cities.

We believe that the sustainability of our distribution network and the quality of the stores, including the location, size, efficiency and interior decoration, are more important than the actual number of stores. Hence, we closed our smaller and less efficient stores, and replaced them with larger, more attractive stores in prime locations to improve the overall performance of our stores. As at 31 December 2017, the total number of ANTA stores in China (including ANTA KIDS standalone stores) was 9,467 (end of 2016: 8,860). FILA (including FILA KIDS standalone stores) had a total of 1,086 stores in China, Hong Kong, Macao and Singapore (end of 2016: 802) and DESCENTE had a total of 64 stores in China (end of 2016: 6).

3.2 Improving Retail Management Capabilities

With a consumer-centric and retail-oriented strategy, we have successfully improved our retailers' competitiveness, store efficiency and responsiveness to the ever-changing market. During the year, we continued to work closely with our retailers to optimize our retail management capabilities.

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

Second, our retail data and market information are shared with our suppliers and retailers. Effective communication contributes to the success of our retail-oriented strategy. From the product planning stage, we work closely with retailers to gather customer feedback so that we can develop products that are truly welcomed by the market. Analysis of product sales performance and customers' feedback gathered by our real-time monitoring system are shared with our retailers on a regular basis. Such timely market information and retail data also enables us to stay abreast of consumer demands and to formulate more accurate product development plans, as well as future order guidance and replenishment order forecasts for retailers.

Third, we provide precise future order guidance to retailers to prevent inventory accumulation. We believe that healthy inventory levels can avoid deep discounts, which will in turn stabilize retailers' profitability and ensure sustainability. Therefore, we aim to provide precise future orders guidance on a per store basis so as to increase the accuracy of orders and stabilize in-store inventory levels. We also encourage our retailers to be flexible in placing replenishment orders to reduce their inventory risks. At the same time, our well-managed clearance channels, including outlet stores and e-commerce platforms, enable our distributors to reduce inventory risk at a faster pace.

Fourth, we require all our retailers to strictly follow our retail policies. In order to strengthen their competitiveness and profitability, we thoroughly examine our retailers' store opening plans and ensure that our stringent retail policies are being followed. We insist on maintaining a consistent store image across our nationwide distribution network, and the standardization of product

display equipment and POP materials which highlight quarterly marketing themes. During the year, we continued to encourage retailers to upgrade their store layouts in line with our latest store image.

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

Sixth, our brands ultimately reach customers through our nationwide distribution network. An attractive store image and unique shopping experience play a key role in enhancing retail efficiency and boosting customer traffic. With the continuous renovation and upgrade of our stores, we are able to offer customers a more pleasant and customized shopping experience, thus increasing sales and store efficiency. This is the reason behind the introduction of the eighth generation stores. Store decoration and promotional materials, such as in-store posters and product display equipment, are provided to retail stores to highlight the marketing themes and product story of the season. During the year, we also further optimized our visual merchandising to put our signature products, such as the KT series, along with other basketball, cross-training and professional running series, in the spotlight.

3.3 E-Commerce

Online shopping channels have become more and more important, so we hope to support our omni-channel and multi-brand strategy with a clear strategy for our e-commerce business. On the back of the increasing importance of e-commerce within the retail industry, we have expanded and improved our e-commerce business. We offer a selection of new products by launching exclusive online products and offline in-season products to cater for increasing demands in the online market.

Our e-commerce business offers different brands that are owned by the Group. It has already become a comprehensive and interactive platform which makes online shopping more convenient, ensures reliable delivery and offers quality after-sales services. In addition to the official online flagship store of each brand, we have collaborated with various renowned e-commerce platforms, including Tmall, JD, Vipshop, etc., to further boost the performance of our e-commerce business. The business also made a breakthrough in the integration of our online and offline channels, such as the launch of ANTAUNI on Tmall during the year.

Under our strict guidelines and policies, we only allow authorized third party online retailers to sell our products on online stores. Moreover, we have allowed some of our outstanding offline distributors to sell ANTA products online to maximize the mutual benefits between web-based and brick-and-mortar stores.

Corporations should adapt swiftly to cope with changing environments, especially with the rising importance of e-commerce. Our experienced online sales team has been helping us to attract more online shoppers and we have used different methods to achieve this goal. For example, we optimized our e-store interface, improved product descriptions and presentations, and enhanced our product search and cataloging functions. We standardized all our online product launch schedules, priorities and styles, which created synergy and prevented competition between our online and offline retailers. In addition, we provide comprehensive customer services, including secure payment systems, a well-established supply chain, fast and reliable delivery services, VIP membership and product return guarantees. We believe the positive feedback from our customers will help us to establish a solid brand reputation that we have sought to build up. Our e-commerce segment is gaining prominence in our business and we will continue to explore further profitable market opportunities.

ANTA'S APPAREL TECHNOLOGY

A-RAIN BREAKER

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

A-SILVER ENERGY

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

A-ORGANIC COTTON

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

A-ANTISEPTIC

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

A-SMART WINDOW

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

SORONA

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

A-COOL

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

A-FROZEN SKIN

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

A-SPORTS SHAPE

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

A-SEAMLESS

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

A-STATIC

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

A-PROOFRAIN I

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

A-PROOFRAIN II

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

A-PROOFRAIN III

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

A-FROZEN SKIN III

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

A-SPORTS ENERGY

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

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

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

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

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

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

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

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

ANTA'S FOOTWEAR TECHNOLOGY

A-FLASHFOAM

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

A-LIVEFOAM

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

A-SMART

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

A-WARM 2.0

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

A-LIVEKNIT

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

A-LIVEZONE

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

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

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

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

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

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

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

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

AUTO-ARCH enables greater torsion control and improves stability

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

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

PRS rotate system facilitates greater agility on the feet when spinning

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

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

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

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

A-WEB3.0

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

A-FORM™

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

A-COOL™

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

A-STICKYRB

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

A-STRATA

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

A-FIT

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

CONTROL-5WD

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

A-RENO

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

A-GRIP

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

4. SUPPLY CHAIN MANAGEMENT

We recognize the importance of effective supply chain management. We understand that suppliers and distributors must develop in tandem with us to avoid any negative impacts on our operations. In addition to implementing a strict partner and supplier selection regime, we are also committed to providing assistance to suppliers and partners to enhance their governance, production and operation standards.

During the year, we strengthened our supply chain to help us to produce differentiated products. We revised our performance-based incentive system to motivate suppliers to make improvements. Based on some minimum requirements including health and safety, anti-discrimination and anti-child labor, we created a metric system that integrates suppliers' performance and results, and generates scores and a ranking. As their performances have continued to improve, we encouraged and assisted suppliers to apply for international accreditations. In the long run, we will reward those with high ratings with increased orders and additional resources and allowances.

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

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

During the year, we implemented high-speed production lines, which have a daily shoe manufacturing capacity of 3,000 pairs with only 30 workers. This innovative production line has increased the productivity and saved on labor costs. In order to be more flexible in fulfilling replenishment orders and maintain our cost advantage, we have further optimized the efficiency of our production process.

We have also strategically combined in-house and outsourced production to better respond to market conditions and changes in consumer preferences. During the year, self-produced footwear and apparel of ANTA accounted for 37.8% and 15.5%, of the total sales quantities respectively (2016: 42.9% and 16.7%).

5. PRODUCT MANAGEMENT

We believe technological innovation, original design and product safety are the keys to product differentiation. As part of its ongoing focus on product innovation, our R&D costs were 5.7% as a percentage of our cost of sales during the year, up 0.6 pps compared with 2016, which puts us in a leading position within China's sportswear industry.

Aside from A-Jelly, A-Loop, A-Strata and A-Web technology etc., we also launched the first running shoes featuring A-Livefoam. This technology improved shoes comfort as well as the breathability, allowed runners to exert much more power while maintaining stability, and provided even more protection for runners' ankles.

In March 2017, we entered into a "Trademark/Copyright License Agreement" with the Chemours Company in relation to Teflon EcoElite™ renewably-sourced water repellent. We became the only local sportswear company in China that has received Chemours' license to use Teflon EcoElite™ to develop our water-poof product line, such as the "Rain-Breaker".

During the year, we formed a strategic alliance with Noble Biomaterials, Inc., which has provided us with XT2® Technology, a best-in-class odor elimination solution utilizing the properties of silver to stop odors developing by inhibiting the growth of bacteria and fungi that consume sweat. Through the launch of Anti-Odor platform powered by XT2® Technology, this odor-eliminating solution is employed for ANTA's fitness, training and leisure products, and other brands' products, further enhancing our reputation for innovation and as an industry leader in sustainability.

6. QUALITY CONTROL

As our retail channels continue to develop, our retail-oriented strategy not only improve quality controls, but also play an important role in developing more products that meet different consumers' needs. In a highly competitive industry, designing and producing comfortable, safe and high-quality sportswear for consumers is essential for increasing market share. We use our comprehensive assessment mechanism to select partners and request they obtain various certifications for manufacturing and quality systems and to meet ISO international standards, in order to reduce risks at source.

In partnering with suppliers, we provided appropriate resources to them to expedite their growth. We also offer "Management Solutions of QC Certification" for suppliers to regulate training and operating standards. Meanwhile, during the product design and development process, the quality control center conducts material and product assessments and issues certifications to ensure health and safety. Factories are also required to carry out testing in strict compliance with internally formulated product testing schemes and standards. Before delivery, our operation center and control center are responsible for examining all the products.

In addition, we continue to cooperate and communicate with the authorities and external organizations to look for ways to enhance national policies and standards within the industry, as well as provide periodic training to employees to ensure their knowledge is kept up-to-date. Our distributors are also required to recall all defective products that fail to comply with regulatory requirements. Further to that, employees are not allowed to handle defective products on their own.

7. WALKING HAND IN HAND WITH OUR EMPLOYEES

Employees from various levels are a crucial part of our long-term business development strategy, and are the keys for delivering strong financial performance and business success. We believe in "learning from our company's role models together" to emphasize the goal of the team. We continue to encourage, reward and help employees to dedicate themselves to their work in a pleasant atmosphere and to achieve continuous growth in line with our goals. Meanwhile, we also promote gender equality and acquire talents with different backgrounds. We provide competitive remuneration packages and comprehensive fringe benefits to all employees, which has kept our employee turnover rate stable. In order to express our care for employees, we have implemented policies and procedures to create a safe and healthy working environment, providing "Safety Handbook" and "Environmental and Occupational Health Handbook". We also offer safety education and fire safety trainings to qualified employees to encourage them to embrace our "keep moving" spirit. As at 31 December 2017, we had around 18,800 employees (2016: 17,800 employees) in total.

8. INTERNAL MANAGEMENT

8.1 Legal Compliance

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

8.2 Relationship with Stakeholders

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

8.3 Our Existing Environmental Protection Measures

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

9. PRINCIPAL RISKS AND UNCERTAINTIES FACING BY THE GROUP

9.1 Exchange Rate Risk

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

9.2 Operational Risks

Risks under Intensified Market Competition

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

Risks from Counterfeit Brands

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

Production Safety Hazards

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

Risks under Increased Sales Channel Costs

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

Product Development Risks

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

Emergencies Risks

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

Risks Caused by Economic Cycle Volatility and Weakened Downstream Demand

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

9.3 Management Risk

Supplier Management Risks

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

Risks from Talent Shortage and Loss of Talent

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

Risks from Product Transportation Management

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

Profit attributable to equity shareholders

+29.4% to RMB 3.09 billion

Margin of profit attributable to equity shareholders 18.5%

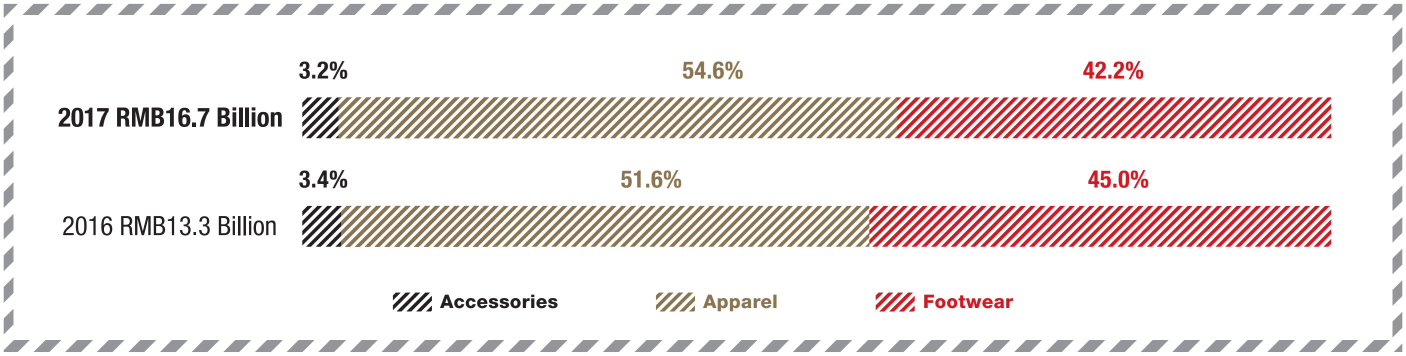
Zheng Zhi,
A Chinese soccer athlete

FINANCIAL REVIEW

Revenue Breakdown by Product Category

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

	Year ended 31 December				
	2017		2016		Changes
	(RMB million)	(% of Revenue)	(RMB million)	(% of Revenue)	(%)
Footwear	7,048.8	42.2	6,000.8	45.0	↑ 17.5
Apparel	9,116.1	54.6	6,885.7	51.6	↑ 32.4
Accessories	527.6	3.2	459.3	3.4	↑ 14.9
Overall	16,692.5	100.0	13,345.8	100.0	↑ 25.1



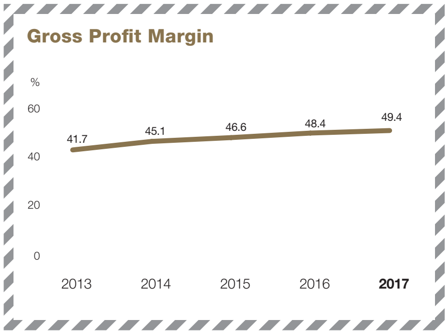
During the financial year, the Group's revenue increased by 25.1% as compared with 2016. The growth rate is higher than the growth rate of the order value of 2017 trade fairs for ANTA branded products as announced before mainly due to the stronger pace of growth in other businesses.

Gross Profit and Gross Profit Margin Breakdown by Product Category

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

	Year ended 31 December				
	2017		2016		Changes
	Gross profit (RMB million)	Gross profit margin (%)	Gross profit (RMB million)	Gross profit margin (%)	(% point)
Footwear	3,290.5	46.7	2,778.4	46.3	↑ 0.4
Apparel	4,742.5	52.0	3,509.7	51.0	↑ 1.0
Accessories	208.1	39.4	170.9	37.2	↑ 2.2
Overall	8,241.1	49.4	6,459.0	48.4	↑ 1.0

Due to the expansion of retail operations and stringent cost control efforts, the Group's overall gross profit margin for the financial year increased 1.0% point as compared with 2016.

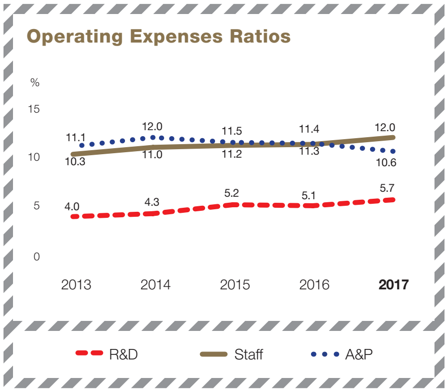


Other Net Income

Other net income for the financial year amounted to RMB457.9 million (2016: RMB259.8 million), which mainly comprised of government grants of RMB439.3 million (2016: RMB274.9 million). The government grants were provided to the Group in recognition of its contribution towards the local economic development.

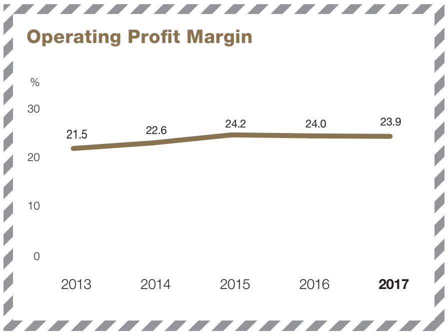
Operating Expenses Ratios

The ratio of advertising and promotional expenses to revenue decreased by 0.8% point for the financial year mainly due to the notable growth in revenue. The ratio of staff costs to revenue increased by 0.7% point mainly due to the increase in the Group's headcounts and recruitment of experienced management talent from different aspects to support the fast expansion of the Group. The ratio of R&D costs to cost of sales increased by 0.6% point as the Group continued to enhance its overall R&D capability.



Operating Profit Margin

Operating profit margin decreased by 0.1% point to 23.9% for the financial year in spite of the increase in gross profit margin, which was mainly due to the increase in selling and distribution expenses and administrative expenses as a result of the expansion of retail operations.



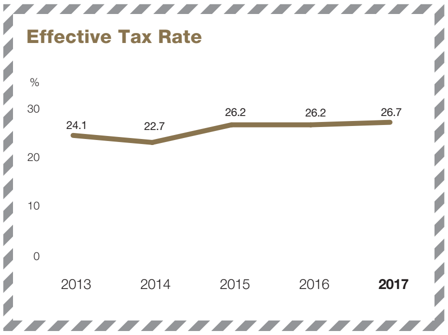
Net Finance Income

Total interest income for the financial year amounted to RMB170.1 million (2016: RMB119.0 million). Such increase was mainly driven by the increase in average amount of bank deposits and bank balances and the purchase of held-to-maturity debt securities during the financial year.

Total interest expense amounted to RMB15.5 million (2016: RMB64.7million) for the financial year. Such decrease was mainly driven by the decrease in average amount of bank loans during the financial year.

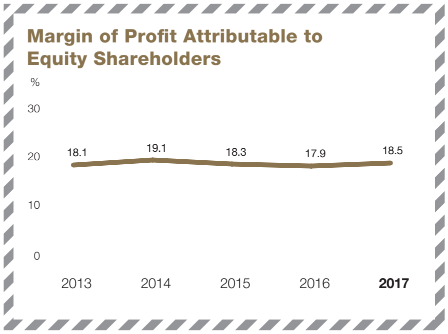
Effective Tax Rate

Effective tax rate was 26.7% for the financial year (2016: 26.2%).



Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders increased by 0.6% point to 18.5% for the financial year in spite of the decrease in operating profit margin, which was mainly due to the increase in net finance income.



Write-down of Inventories

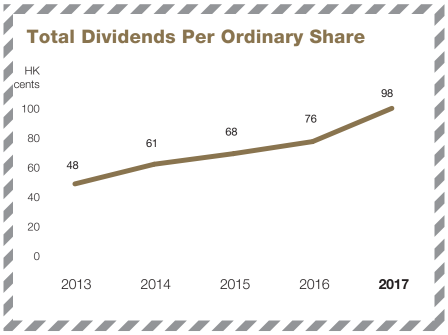
The accounting policy in respect of write-down of inventories for the financial year was the same as that in 2016. Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories and charged to profit or loss. During the financial year, write-down of inventories amounting to RMB14.1 million was charged to profit or loss (2016: RMB7.3 million).

Provision for Doubtful Debts

The accounting policy in respect of provision for doubtful debts for the financial year was the same as that in 2016. The Group assessed the recoverability of the receivables past due and established a provision for the doubtful debts. During the financial year, provision for doubtful debts amounting to RMB19.6 million was charged to profit or loss (2016: reversal of provision for doubtful debts amounting to RMB5.9 million was credited to profit or loss).

Dividends

The Board has recommended a final dividend of HK41 cents and a special dividend of HK16 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK41 cents per ordinary share, representing a payout of RMB2,177.5 million (2016: RMB1,746.3 million), or a distribution of 70.5% (2016: 73.2%) of the current year's profit attributable to equity shareholders.



Liquidity and Financial Resources

As at 31 December 2017, the cash and cash equivalents of the Group amounted to RMB6,967.6 million which were mainly denominated in RMB, HKD and USD, representing an increase of RMB1,137.6 million as compared with the cash and cash equivalents of RMB5,830.0 million as at 31 December 2016. This is mainly attributable to:

- Net cash inflow from operating activities amounted to RMB3,181.5 million, which was slightly higher than the profit for the year and represents the strong cash generation capability of the Group.

- Net cash outflow from investing activities amounted to RMB1,578.5 million, mainly including capital expenditures of RMB585.0 million, net placement of fixed deposits held at banks with maturity over three months of RMB944.0 million, purchase of held-to-maturity debt securities of RMB102.8 million, net proceeds from pledged bank deposits of RMB44.6 million and refund of prepayment for acquisition of land use rights amounting to RMB12.5 million.

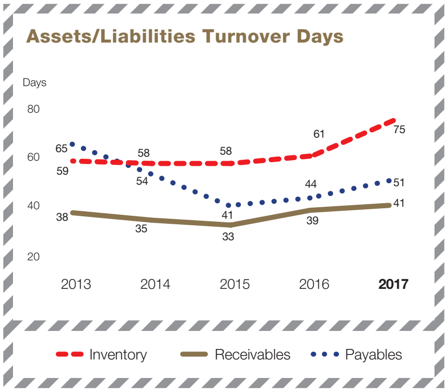
	2017 (RMB million)	2016 (RMB million)
Year ended 31 December		
Net operating cash inflow	**3,181.5**	2,467.6
Capital expenditures	**(585.0)**	(627.6)
Others	**65.7**	57.0
Free cash inflow	**2,662.2**	1,897.0
As at 31 December		
Cash and cash equivalents	**6,967.6**	5,830.0
Fixed deposits held at banks with maturity over three months	**2,436.4**	1,492.4
Pledged deposits	**150.0**	194.6
Bank loans	**(147.9)**	(937.7)
Bills payable	**–**	(600.0)
Net cash position	**9,406.1**	5,979.3

- Net cash outflow from financing activities amounted to RMB2.4 million, mainly including the net proceeds from shares issued under placing and top-up subscription amounting to RMB3,394.1 million, the payments of the final and special dividends in respect of the financial year 2016 and the interim dividend in respect of the financial year 2017 amounting to RMB1,936.8 million, the net repayment of bills of exchange amounting to RMB600.0 million, the net repayment of bank loans amounting to RMB827.3 million and the payments of interest expense on bank loans amounting to RMB30.7 million.

As at 31 December 2017, total assets of the Group amounted to RMB19,074.2 million, of which current assets were RMB15,441.9 million. Total liabilities and non-controlling interests were RMB5,367.8 million and total equity attributable to equity shareholders of the Company amounted to RMB13,706.4 million. The Group's gearing ratio was 0.8% as at 31 December 2017 (as at 31 December 2016: 10.8%), being a ratio of sum of bank loans (as at 31 December 2017: RMB147.9 million; as at 31 December 2016: RMB937.7 million) and bills payable (as at 31 December 2017: nil; as at 31 December 2016: RMB600.0 million) to total assets.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 14 days because the Group intentionally deferred the product delivery to stores to meet the sales of Chinese New Year in February 2018. The average trade receivables turnover days and the average trade payables turnover days increased by 2 days and 7 days respectively, and the two turnover ratios remained at relatively normal levels.



Pledge of Assets

As at 31 December 2017, the Group had bank deposits of RMB150.0 million (as at 31 December 2016: RMB194.6 million) pledged to secure bankers' documentary credits for certain contracts and construction projects.

Capital Commitments and Contingencies

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

As at 31 December 2017, the Group had capital commitments of RMB987.7 million, primarily relating to the construction of the new logistic center and the expansion of retail channels.

As at 31 December 2017, the Group did not provide any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor are there any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group continues to manage financial risks in a prudent manner and proactively adopts internationally recognized corporate management standards to safeguard the interests of shareholders. As the functional currency of most non-PRC entities is the Hong Kong dollar and those financial statements are translated into Renminbi for reporting and consolidation purposes, foreign exchange differences arising from the translation of such financial statements are directly recognized in equity as a separate reserve. As the Group conducts business transactions principally in RMB, the exchange rate risk at the Group's operational level is not significant. Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

The Group continues to seek business opportunities such as acquisition of and cooperation with international sportswear brands to operate brand management business so as to increase the returns on shareholders' equity.

During the financial year, the Group made no significant investment or any material acquisition or disposal of subsidiary.

Placing and Top-up Subscription

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

On 21 March 2017, Anta International, Anda Holdings and Anda Investments (collectively the "Vendors"), Merrill Lynch Far East Limited (the "Placing Agent") and the Company entered into a placing and subscription agreement pursuant to which (i) the Vendors agreed to appoint the Placing Agent, and the Placing Agent agreed, to procure, as agent of the Vendors, placees for an aggregate of 175,000,000 existing Shares (the "Placing Share(s)") at the placing price of HK$21.67 per Placing Share (the "Placing"); and (ii) the Vendors agreed to subscribe for and the Company agreed to issue to the Vendors, an aggregate of 175,000,000 new Shares (the "Top-up Subscription Share(s)") at the subscription price of HK$21.67 per Top-up Subscription Share (the "Top-up Subscription").

The completion of the Placing took place on 24 March 2017 and an aggregate of 175,000,000 Placing Shares were successfully placed to not less than six placees, each of whom (to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries) (i) is not a connected person (has the meaning ascribed thereto under the Listing Rules) of the Company and (ii) is an Independent Person (as defined in the announcement dated 22 March 2017), at the placing price of HK$21.67 per Placing Share. The Top-up Subscription took place on 31 March 2017 and an aggregate of 175,000,000 Top-up Subscription Shares were allotted and issued to the Vendors at the subscription price of HK$21.67 per Top-up Subscription Share.

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

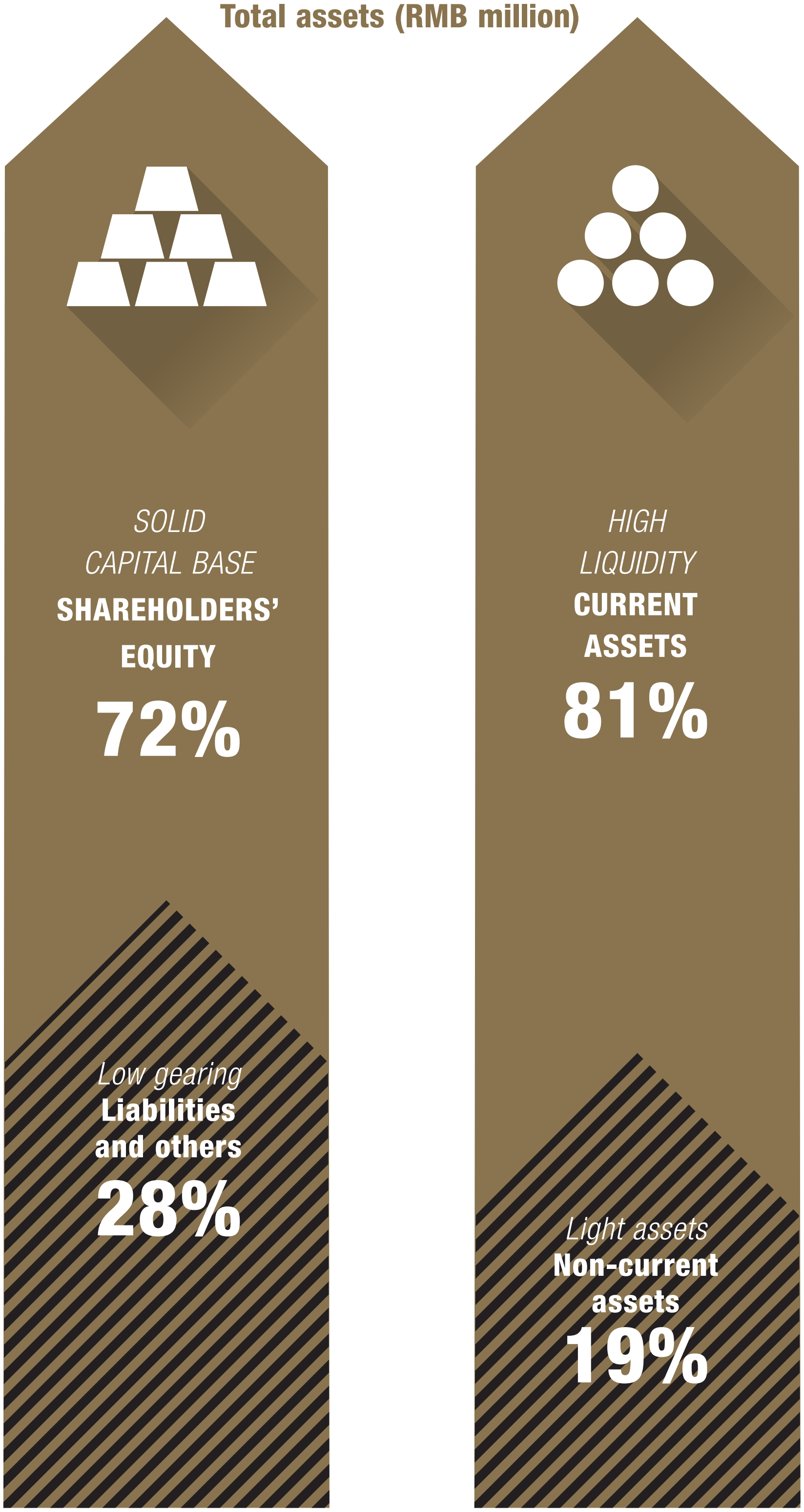
Up to 31 December 2017, the Group has not used any net proceeds from the Top-up Subscription. The Group is committed to seek business opportunities such as acquisition of, and cooperation with, international sportswear brands, and shall use the proceed (i) to finance (in whole or in part) such business opportunities as and when appropriate opportunities arise, certain of which could be significant; and/or (ii) as general working capital of the Group.

For further details, please refer to the announcements of the Company dated 22 March 2017 and 31 March 2017.

Strong Financial Position

19,074.2

Total assets (RMB million)



PROSPECTS

The only thing that is constant is CHANGE.

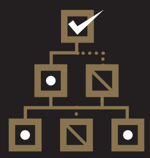
According to the "Consumer Market Development Report 2018" published by the China Council for the Promotion of International Trade Academy, the total sales of domestic consumer products is expected to exceed RMB40 trillion in China by 2018 with an annual nominal growth rate of 10%. The report showed that people were increasingly consuming more sports and cultural products due to their stronger purchasing power, which is also upgrading the makeup of customers' consumption. Our footprint across China keeps pace with this increasing trend and we are optimistic about our future success, leveraging opportunities arising from such trends.

In the consumer industry, changes evolve around consumer preferences for individuality, new and improved shopping experiences, and better value-for-money offering. Structural changes are taking place as well – from street stores to other channels, including shopping malls, department stores and outlets. Moreover, the internet has altered the retail landscape. E-commerce allows people to access new brands easily, but Chinese online consumers are usually sensitive about price. In order to enjoy healthy growth both online and offline, effective brands utilize online platforms to maximize consumers' experiences and even convert online sales into offline sales.

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

Focusing on Consumer Experience, Strengthening Innovation and Differentiation of Products

Upgrading IT Management System and to develop the Next Core Management Team



Improving Store Efficiency and Management, Meeting Consumer Demands by Omni-Channel Strategy
Target Number of Stores by End of 2018:
ANTA and ANTA KIDS: 9,700-9,800
FILA and FILA KIDS: 1,300-1,400
DESCENTE: 100-110
KOLON SPORT: 200-210
KINGKOW: 60-70
SPRANDI: 190-200

Shortening Delivery Time, Enhancing Replenishment Efficiency and Frequency via our new logistic center

Our unique understanding of consumers and the market has enabled us to keep up the pace in a constantly changing environment. We continue to implement our "Single-Focus, Multi-Brand and Omni-Channel" strategy, which has allowed us to provide a wide range of brands to cover all consumer segments, from professional to athleisure, from high-end to mass market, and from running, cross-training and basketball to women's fitness, skiing and niche market segments.

In terms of sales channels, we see that foot traffic and shopping habits are changing, and in response, we will further optimize the mix by increasing the proportion of ANTA stores in shopping malls and department stores, as well as improve store efficiency and open more stores in prime locations. In anticipation of the exponential growth expected from e-commerce channels, we have also integrated both our online and offline channels, as well as leveraged our logistics and delivery capabilities and big data resources, to attain omni-channel coverage.

At our investor day in 2017, we revealed the targets for 2020 and 2025, in which we target to achieve a 15-20% CAGR in terms of retail sales and to reach RMB100 billion in total retail sales in 2025. In order to achieve these targets, this is what we are going to do in 2018:

New Mission

Against this backdrop and new landscape, we are embarking on our mission of internationalization in 2018. We have spent the past ten years constructing the foundation and laying the foundations for our unique operation model. Now is the time to build a house upon that solid foundation and raise it to the next level. We have now constructed our multi-brand platform as the pillars of the house, and now we are ready to take the Group to the next level. While 2017 marks the 10th anniversary since we were listed on the Main Board of HKEX in Hong Kong in July 2007, equally importantly it is also the year we start to shift our strategic focus to internationalize our management system in five core skill areas – operation, brand building, distribution management, product innovation and organization management.

Meanwhile, we are committed to optimizing our supply chain and logistics efficiency continuously and to improving the cost effectiveness of advertising and promotion activities and R&D. With this in mind, we will continue to refine our retail management practices. With the opening of the Group's new logistics center – set to commence operations in 2018 – we will also significantly reduce delivery times from more than one month on average to as short as 48 hours, laying the foundations for the implementation of our integrated business model which includes online, offline, wholesale, retail and e-commerce platforms in the future. In addition, the new logistics center will support the logistical needs of our retail businesses such as FILA and DESCENTE. Having upgraded the ERP system's real-time data collection and analysis procedures, we will have a greater capacity to accurately monitor the performance of retailers, and identify consumer preferences and needs, which will enable us to launch new and popular products in a timely manner.

New Challenges

Businesses are built by people, and people with a purpose will build an enterprise with a mission. The bigger we get, the more important on human capital. With our scale and professional management team, we have developed a team of millennials who are ready to step up to take on leadership roles. Our competitiveness will be directly proportional to the quality and professionalism of our management team. In 2018, our challenge is to raise the skills and capability of our management team.

The evolving retail market creates both unprecedented challenges and opportunities after all. Hence, we plan to improve our replenishment order system to further increase the proportion of replenishment orders on top of the trade fair orders, further improving our products' ability to meet consumer demands and optimizing our inventory levels.

New Opportunities

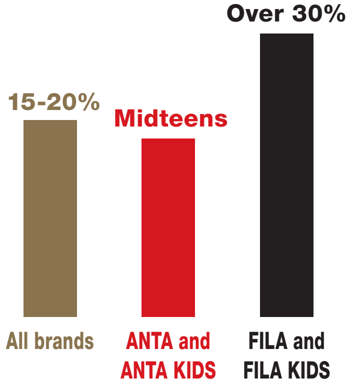
We are in the "Golden Decade" of sports development in China, and it is common to believe that the economy expected to surpass that of the US to become the largest in the world within the next ten years. With the PyeongChang 2018 Winter Olympics, followed by the 2018 FIFA World Cup in Russia, Tokyo 2020 Olympics, Beijing 2022 Winter Olympics and 2022 FIFA World Cup in Qatar, the next four years will see exponential growth and unprecedented opportunities for the sports business. We must be prepared to take advantage of these opportunities ahead of us.

By the end of 2018, we expect the total number of ANTA stores (including ANTA KIDS standalone stores) in China to reach 9,700-9,800, and the total number of FILA stores (including FILA KIDS standalone stores) in China, Hong Kong, Macao and Singapore to reach 1,300-1,400. Meanwhile, our DESCENTE will penetrate deeper into first and second tier cities, with a focus on opening stores in prime locations and strengthening its market position. It is expected to have 100-110 stores in China by the end of 2018. KINGKOW will have a total of 60-70 stores and SPRANDI will have a total of 190-200 stores by the end of 2018, while KOLON SPORT will have a total of 200-210 stores by the end of 2018.

Targets for 2020 - 2025

2020

Retail Sales CAGR



Volume Sold

Footwear will reach **100 million pairs**

Apparel will reach over **130 million pieces**

Retail Channel Expansion

Over **11,000 stores**

E-Commerce accounts 20% of retail sales

2025

To hit **RMB100 billion** for all brands' retail sales

INVESTOR INFORMATION

Share Information

Listing Day:	10 July 2007
Board lot size:	1,000 shares
Numbers of shares in outstanding:	2,684,568,600 shares (As at 31 December 2017)

Stock Codes

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

Dividends

HK cents	2013	2014	2015	2016	2017
Interim dividend	19	25	30	34	41
Final dividend	22	28	30	34	41
Special dividend	7	8	8	8	16

Important Dates

27 February 2018	Annual results announcement
10 April 2018	Annual general meeting
16 April 2018 4:30 p.m.	Record date of 2017 final dividend and special dividend
On or about 26 April 2018	Payment date of 2017 final dividend and special dividend
31 December 2018	Financial year end date of 2018

Investor Relations Contacts

If you have any inquiries, please contact:
IR Department - ANTA Sports Products Limited
16/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong
Telephone: (852) 2116 1660 Fax: (852) 2116 1590 E-mail: ir@anta.com.hk

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

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2017.

Principal Place of Business

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

Principal Activities and Business Review

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

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 20 to 61 of the annual report. This discussion forms part of this report of the Directors.

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

Major Customers and Suppliers

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

	2017 Percentage of the Group's total		2016 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**3.4%**		4.6%	
Five largest customers in aggregate	**15.1%**		18.0%	
The largest supplier		**5.3%**		5.6%
Five largest suppliers in aggregate		**19.4%**		22.1%

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

Five-year Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 10 and 11 of the annual report.

Financial Statements

The profit of the Group for the year ended 31 December 2017 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 88 to 137 of the annual report.

Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB3,087,843,000 (2016: RMB2,385,546,000) have been transferred to the reserves. Other movements in reserves are set out in note 26 to the financial statements.

Recommended Dividend

An interim dividend of HK41 cents per ordinary share (2016: HK34 cents per ordinary share) was paid on 11 September 2017.

The Directors now recommend the payment of a final dividend of HK41 cents per ordinary share (2016: HK34 cents per ordinary share) and a special dividend of HK16 cents per ordinary share (2016: HK8 cents per ordinary share) in respect of the year ended 31 December 2017.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB12,343,000 (2016: RMB9,142,000).

Non-current Assets

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

Bank Loans and Bills Payable

Particulars of bank loans and bills payable of the Group as at 31 December 2017 are set out in notes 20 and 21 to the financial statements respectively.

Share Capital

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

Purchases, Sales and Redemptions of Listed Securities

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the financial year.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

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

Pre-emptive Rights

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

Directors

The Directors during the financial year were:

Executive Directors

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

Independent Non-Executive Directors

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

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

Details of the Directors' biographies have been set out on pages 83 and 84 of the annual report.

In accordance with article 87 of the Company's articles of association, Mr. Ding Shijia, Mr. Lai Shixian and Mr. Yeung Chi Tat will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

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

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

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

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

As at 31 December 2017, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Interests in Shares and underlying Shares and associated corporations

Name of Directors	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of shares interested	Number of underlying Shares interested[2]	Approximate percentage of interest in such corporation[1]
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,659,446,000 (L)[3]	–	61.81%
	Anta International	Founder of a discretionary trust	4,144 (L)[3]	–	34.50%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,651,000,000 (L)[4]	–	61.50%
	Anta International	Founder of a discretionary trust	4,084 (L)[4]	–	34.00%
Mr. Lai Shixian	Anta International	Beneficiary of a discretionary trust/Interest of spouse	1,171 (L)[5]	–	9.75%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,141 (L)[6]	–	9.50%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	601 (L)[7]	–	5.00%
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	–	0.03%
	Company	Beneficial owner	–	400,000 (L)	0.01%

(L) — Long Position

Notes:

(1) *As at 31 December 2017, the number of outstanding ordinary shares of the Company and of Anta International were 2,684,568,600 and 12,012, respectively.*

(2) *The interests in underlying Shares represent the interests in share options granted pursuant to the Company's share option schemes, details of which are set out in the section entitled "Share Option Schemes" below.*

(3) *A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, representing 61.46% of the issued Shares as at 31 December 2017, 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 61.46% of the issued Shares as at 31 December 2017, and 1,000,000 Shares were directly held by Talent Trend Investment Limited ("Talent Trend"). Talent Trend is entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore is deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Talent Trend is held by Allwealth Assets Limited. The entire issued share capital of Allwealth Assets Limited is in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust is an irrevocable discretionary trust set up by Mr. Ding Shijia as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSJ Family Trust are Mr. Ding Shijia and his family members. Mr. Ding Shijia as founder and one of the beneficiaries of the DSJ Family Trust is deemed to be interested in the Shares held by Anta International and Talent Trend and 4,084 shares of Anta International held by Talent Trend.*

(5) *The interests of Mr. Lai Shixian in Anta International were held through Gain Speed Holdings Limited, which directly held 1,171 shares of Anta International, representing 9.75% of the issued share capital of Anta International as at 31 December 2017. 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 is deemed to be interested in the 1,171 shares of Anta International under the SFO as one of the beneficiaries of the DYL Family Trust and as the spouse of Ms. Ding Yali.*

(6) *The interests of Mr. Wang Wenmo in Anta International were held through Fair Billion Development Limited, which directly held 1,141 shares of Anta International, representing 9.50% of the issued share capital of Anta International as at 31 December 2017. The entire issued share capital of Fair Billion Development Limited is held by Asia Bridges Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust is an irrevocable discretionary trust set up by Mr. Wang Wenmo as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WWM Family Trust are Mr. Wang Wenmo and his family members. Mr. Wang Wenmo as the founder and one of the beneficiaries of the WWM Family Trust is deemed to be interested in the 1,141 shares of Anta International held by Fair Billion Development Limited.*

(7) *The interests of Mr. Wu Yonghua in Anta International were held through Spread Wah International Limited, which directly held 601 shares of Anta International, representing 5.00% of the issued share capital of Anta International as at 31 December 2017. The entire issued share capital of Spread Wah International Limited is held by Allbright Assets Limited, which is in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust is an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust are family members of Mr. Wu Yonghua. Mr. Wu Yonghua as the founder of the WYH Family Trust is deemed to be interested in the 601 shares of Anta International held by Spread Wah International Limited.*

Save as disclosed above, as at 31 December 2017, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had otherwise been notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Interests and Short Positions of Substantial Shareholders

As at 31 December 2017, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in Shares/underlying Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of interest in the Company
HSBC Trustee	Trustee (other than a bare trustee)(1)	1,660,458,000 (L)	61.85%
Anta International	Beneficial owner(2)	1,373,625,000 (L)	51.17%
	Interest in controlled corporation(2)	276,375,000 (L)	10.29%
Allwealth Assets Limited	Interest in controlled corporation(1)	1,651,000,000 (L)	61.50%
Shine Well	Interest in controlled corporation(1)	1,650,000,000 (L)	61.46%
	Beneficial owner(1)	9,446,000 (L)	0.35%
Talent Trend	Interest in controlled corporation(1)	1,650,000,000 (L)	61.46%
	Beneficial owner(1)	1,000,000 (L)	0.04%
Top Bright Assets Limited	Interest in controlled corporation(1)	1,659,446,000 (L)	61.81%
Anda Holdings	Beneficial owner	160,875,000 (L)	5.99%

(L) — Long Position

Notes:

(1) The interests of HSBC Trustee in the Company were held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 51.17%, 5.99%, 4.30%, 0.35% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 12,000 Shares as trustee for persons unrelated to the substantial shareholders.

HSBC Trustee was the trustee of the DSZ Family Trust and the DSJ Family Trust and it held the entire issued share capital of Top Bright Assets Limited and Allwealth Assets Limited, which in turn held the entire issued share capital of Shine Well and Talent Trend, respectively. Each of Shine Well and Talent Trend was entitled to exercise or control the exercise of one third or more of the voting power at general meeting of Anta International and therefore each of them was deemed to be interested in all the 1,650,000,000 Shares held by Anta International. As at 31 December 2017, Anta International directly held 1,373,625,000 Shares. Anta International held the entire issued share capital of each of Anda Holdings and Anda Investments and therefore was deemed to be interested in 160,875,000 Shares and 115,500,000 Shares directly held by Anda Holdings and Anda Investments, respectively. Accordingly, HSBC Trustee, Top Bright Assets Limited, Allwealth Assets Limited, Shine Well and Talent Trend were indirectly interested in the 1,650,000,000 Shares held through Anta International. 9,446,000 Shares were held by Shine Well directly. Accordingly, HSBC Trustee and Top Bright Assets Limited were also deemed to be interested in the 9,446,000 Shares held by Shine Well. 1,000,000 Shares were held by Talent Trend directly. Accordingly, HSBC Trustee and Allwealth Assets Limited were also deemed to be interested in the 1,000,000 Shares held by Talent Trend.

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

Save as disclosed above, as at 31 December 2017, the Directors were not aware of any other person or corporation having an interest or short positions in Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 30 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this report in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) ("connected persons") and the Group have been entered into and are ongoing for which relevant disclosure had been made by the Company in the announcements of the Company issued on 18 December 2015.

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

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

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

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

During the financial year, the Group's purchase of paper packaging materials from Quanzhou Anda amounted to RMB56,183,000.

2. Master Services Agreement with Mr. Ding Shijia

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

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

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

During the financial year, service fees for the provision of Relevant Services to the Group by Mr. Ding Shijia (for and on behalf of the Relevant Entities) amounted to RMB19,722,000.

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

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

(2) on normal commercial terms or better; and

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

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

Permitted Indemnity Provision

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Directors' Remuneration

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

Arrangements to Purchase Shares or Debentures

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

Competing Business

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the financial year which is required to be disclosed under Rule 8.10(2) of the Listing Rules.

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

Retirement Schemes

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

Share Option Schemes

Pre-IPO Share Option Scheme

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

Under the Pre-IPO share option scheme, 16,000,000 options were granted on 12 June 2007.

No further options were granted under the Pre-IPO share option scheme on or after the date of listing of the Company on the Main Board of the Hong Kong Stock Exchange ("Listing Date").

The Pre-IPO share option scheme was valid and effective for a period of 10 years from the adoption of the scheme and on 10 June 2017, the Pre-IPO share option scheme was expired. As a result of the expiration of the Pre-IPO share option scheme, all share options granted but not exercised under the Pre-IPO share option scheme lapsed on the same date.

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

Name or category of participant	Number of options: As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Exercise price per Share	Date of grant	Vesting period	Exercise period
Director										
Mr. Lai Shixian	1,575,000	–	(1,575,000) (1)	–	–	–	HK$4.224	12 June 2007	1 year from the Listing Date	10 July 2008 to 10 June 2017
	1,575,000	–	(1,575,000) (2)	–	–	–	HK$4.224	12 June 2007	2 years from the Listing Date	10 July 2009 to 10 June 2017
	2,100,000	–	(2,100,000) (3)	–	–	–	HK$4.224	12 June 2007	3 years from the Listing Date	10 July 2010 to 10 June 2017
	5,250,000	–	(5,250,000)	–	–	–				
Other employees (including ex-employees)										
In aggregate	150,000	–	–	(150,000)	–	–	HK$4.224	12 June 2007	1 year from the Listing Date	10 July 2008 to 10 June 2017
	488,000	–	(488,000) (4)	–	–	–	HK$4.224	12 June 2007	3 years from the Listing Date	10 July 2010 to 10 June 2017
	638,000	–	(488,000)	(150,000)	–	–				
Total	5,888,000	–	(5,738,000)	(150,000)	–	–				

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$21.92.

(2) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$21.60.

(3) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$21.68.

(4) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$21.93.

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

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

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

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

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

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

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

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

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

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

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

(a) the nominal value of a Share;

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

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

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

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

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

As at 31 December 2017, the total number of Shares which may be issued upon the exercise of all outstanding options granted under the Share Option Scheme I is 4,118,400, representing 0.15% of the issued Shares.

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

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

Name or category of participant	Number of options: As at 1 January 2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2017	Exercise price per Share	Date of grant	Vesting period	Exercise period
Director										
Mr. Zheng Jie	400,000	–	–	–	–	400,000	HK$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	400,000	–	–	–	–	400,000				
Other employees (including ex-employees)										
In aggregate	5,077,900	–	(1,359,500)[1]	–	–	3,718,400	HK$16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
	5,077,900	–	(1,359,500)	–	–	3,718,400				
Total	5,477,900	–	(1,359,500)	–	–	4,118,400				

Note:

(1) *The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$26.91.*

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

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

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

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

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

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

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

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

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

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

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

(a) the nominal value of a Share;

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

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

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

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

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

No options were granted, exercised, lapsed or cancelled under the Share Option Scheme II during the financial year. As at 31 December 2017, there were no outstanding options under the Share Option Scheme II.

Corporate Governance

For the year ended 31 December 2017, save as disclosed in the Corporate Governance Report on pages 74 to 82 of the annual report, all the code provisions set out in the Code (as defined in the Corporate Governance Report) were met by the Company.

Confirmation of Independence

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

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors at the latest practicable date prior to this annual report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended 31 December 2017 and at any time up to the latest practicable date.

Auditors

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

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 27 February 2018

CORPORATE GOVERNANCE REPORT

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

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

(A) The Board of Directors

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

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

Executive Directors

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

Independent Non-Executive Directors

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

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

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

Compliance with the Model Code for Directors' Securities Transactions

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

Chairman and Chief Executive Officer

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

Appointments, Re-election and Removal of Directors

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

Independent Non-Executive Directors

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

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

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

Board Diversity Policy

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

Training and Support for Directors

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

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

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

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

Board Committees

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

Audit Committee

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

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

During the financial year, the Audit Committee considered the annual results of the Group for the year ended 31 December 2016 and the interim results of the Group for the 6 months ended 30 June 2017 as well as the reports prepared by the external auditors relating to 2017 annual audit and interim review plans and major findings in the course of audit/review. In addition, the committee reviewed the Company's compliance with the Code and the regulatory and statutory requirements, and the disclosure in Corporate Governance Report.

Remuneration Committee

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

During the financial year, the Remuneration Committee reviewed the remuneration packages of the Executive Directors and senior management for the year ended 31 December 2016.

Nomination Committee

The Nomination Committee is responsible for recommending suitable candidates to the Board for directorship, after considering the independence and competence of the nominees, to ensure that all nominations are fair and transparent. The Nomination Committee also reviews the structure, size and composition of the Board and assesses the independence of the Independent Non-Executive Directors. The terms of reference of the Nomination Committee are in line with the code provisions of the Code. Currently, members of the Nomination Committee comprise Mr. Lu Hong Te (chairman), Mr. Yeung Chi Tat, both being Independent Non-Executive Directors, and Mr. Lai Shixian, an Executive Director.

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

Risk Management Committee

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

During the financial year, the Risk Management Committee reviewed and approved the internal audit reports and the annual audit plan provided by the internal audit team mentioned below, and considered that the Group's internal audit function is effective. The annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2017 has been conducted, details of which are set out in the section entitled "(C) Risk Management and Internal Control" below.

Meetings

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

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Risk Management Committee Meeting
No. of meetings held for the year ended 31 December 2017	4	2	1	1	4
Executive Directors					
Mr. Ding Shizhong	4	N/A	1	N/A	N/A
Mr. Ding Shijia	4	N/A	N/A	N/A	N/A
Mr. Lai Shixian	4	N/A	N/A	1	4
Mr. Wang Wenmo	4	N/A	N/A	N/A	N/A
Mr. Wu Yonghua	4	N/A	N/A	N/A	N/A
Mr. Zheng Jie	3	N/A	N/A	N/A	N/A
Independent Non-Executive Directors					
Mr. Yeung Chi Tat	4	2	N/A	1	4
Mr. Lu Hong Te	4	2	1	1	N/A
Mr. Dai Zhongchuan	4	2	0	N/A	4

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

Conflict of Interest

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

Company Secretary

Mr. Lam Jim was our Chief Financial Officer and a joint company secretary of the Company and resigned with effect from 1 January 2018. Details of the resignation were set out in the Company's announcement dated 15 December 2017.

Mr. Tse Kin Chung was appointed as a joint company secretary of the Company with effect from 22 February 2017. Details of the appointment were set out in the Company's announcement dated 22 February 2017. Mr. Tse is a full time employee of the Group and has day-to-day knowledge of the Company's affairs. Following Mr. Lam's resignation with effect from 1 January 2018, Mr. Tse became the Company Secretary of the Company.

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

(B) Financial Reporting

Financial Reporting

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

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

External Auditor's Remuneration

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

During the financial year, the fee payable to KPMG in respect of its audit services provided to the Group was RMB6,450,000 (2016: RMB5,665,000). Fees for non-audit services for the financial year comprise service charges for the following:

	2017 **RMB'000**	2016 RMB'000
Review of interim results	**930**	900
Tax advisory (service rendered by KPMG Advisory (China) Limited)	**900**	150
Risk management and Internal control review (service rendered by KPMG Advisory (China) Limited)	**600**	600
ESG reporting advisory (service rendered by KPMG Huazhen LLP)	**390**	152
Other non-audit services	**185**	220
Total	**3,005**	2,022

(C) Risk Management and Internal Control

Goals and Objectives

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Risk Management Committee. The Risk Management Committee (on behalf of the Board) oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management has provided a confirmation to the Risk Management Committee (and the Board) on the effectiveness of these systems for the year ended 31 December 2017.

Main features of the risk management and internal control systems

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

Board

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

Risk Management Committee

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

Management

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

Internal Audit Team

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

Process Used to Identify, Evaluate and Manage Significant Risks

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

Risk Identification

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

Risk Assessment

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

Risk Response

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

Risk Monitoring and Reporting

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

The Group has engaged KPMG Advisory (China) Limited as its risk management and internal control review adviser to assist the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 December 2017. Such review is conducted annually. The scope of review was previously determined and approved by the Risk Management Committee. KPMG Advisory (China) Limited has reported major findings and areas for improvement to the Risk Management Committee. All recommendations from KPMG Advisory (China) Limited are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Group therefore considers that the risk management and internal control systems are effective and adequate.

Internal Audit Function

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

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

Whistleblowing Policy

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

Information Disclosure Policy

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

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

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

Enquiries to the Board

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

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

Annual General Meeting

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

The 2017 AGM was held on 6 April 2017. The attendance record of the Directors at the AGM is set out below:

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

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

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

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

Constitutional Documents

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

Investor Relations

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

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 27 February 2018

DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Executive Directors

Mr. Ding Shizhong (丁世忠), aged 47, is the Chief Executive Officer, the Executive Director and the Board Chairman of the Company. He is primarily responsible for the overall corporate strategies, brand management, planning and business development of the Group. He joined the Group in July 1994 and has dedicated to expand and promote the Group's business and to develop China's sporting goods industry.

He personally obtained the following recognition:

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

He is holding the following public offices:

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

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

Mr. Ding Shijia (丁世家), aged 53, is the Executive Director and the Board Deputy Chairman of the Company. He is primarily responsible for the management of the Group's footwear operations. He joined the Group in July 1994 and has over 20 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. From December 2011 to December 2016, Mr. Ding was Jinjiang City People's Congress standing deputy. Mr. Ding is the elder brother of Mr. Ding Shizhong, the cousin of Mr. Wang Wenmo and the brother-in-law of Mr. Lai Shixian, all of whom are also the Company's Executive Directors. He is also a director of Anta International, a substantial shareholder of the Company.

Mr. Lai Shixian (賴世賢), aged 43, is the Chief Operating Officer and the Executive Director of the Company. He is primarily responsible for the supply chain and administrative management of the Group. He joined the Group in March 2003 and has over 10 years of experience in administrative management. Mr. Lai holds an EMBA degree from China Europe International Business School. From 2011 to 2017, Mr. Lai was a member of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Lai has been a standing committee of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference, the vice president of Fujian Federation of Industry and Commerce (General Chamber of Commerce) and the vice chairman of Quanzhou City of Industry and Commerce (General Chamber of Commerce). Mr. Lai is the brother-in-law of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors. He is also a director of Anta International, a substantial shareholder of the Company. Mr. Lai is an independent non-executive director of China Lilang Limited (stock code: 1234), a company listed on the Hong Kong Stock Exchange.

Mr. Wang Wenmo (王文默), aged 61, is the Executive Director of the Company. He is primarily responsible for the management of the Group's apparel operations. He joined the Group in June 2000 and has over 20 years of experience in the apparel industry. Mr. Wang is the cousin of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors.

Mr. Wu Yonghua (吳永華), aged 47, is the Executive Director and the Group Sales President of the Company. He is primarily responsible for the Group's sales and marketing management. He joined the Group in October 2003 and has over 10 years of experience in sales and marketing in China.

Mr. Zheng Jie (鄭捷), aged 50, is the Executive Director of the Company and the Brand President of ANTA. He is primarily responsible for brand and product management. He joined the Group in October 2008 and has over 10 years of experience in the field of marketing management, including over 8 years in the China division of an international sportswear brand as the sales vice president and the general manager. Mr. Zheng holds a bachelor's degree in management science from Shanghai Fudan University.

DIRECTORS, COMPANY SECRETARY AND SENIOR MANAGEMENT

Independent Non-Executive Directors

Mr. Yeung Chi Tat (楊志達), aged 48, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in business administration from the University of Hong Kong and a master's degree in professional accounting with distinction from Hong Kong Polytechnic University. He is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. He is also a member of the Greater China Development Working Committee of The Association of Hong Kong Accountants, the vice-president of Young Professional Alliance – Accountancy Sector and deputy president and council member of the Hong Kong Independent Non-Executive Director Association. He is an independent non-executive director of Guodian Technology & Environment Group Corporation Limited (stock code: 1296), Boer Power Holdings Limited (stock code: 1685) and Sitoy Group Holdings Limited (stock code: 1023), all of which are listed on the Hong Kong Stock Exchange. Mr. Yeung is a Certified Public Accountant practicing in Hong Kong. He had previously worked at a major international accounting firm for over 10 years and then worked for various Hong Kong listed companies as the financial controller and company secretary, and possessed experience in auditing, corporate restructuring and corporate finance. He was an independent non-executive director of KFM Kingdom Holdings Limited (stock code: 3816) and Ta Yang Group Holdings Limited (stock code: 1991), both of which are listed on the Hong Kong Stock Exchange, from September 2015 to February 2016 and from May 2007 to September 2017 respectively.

Mr. Lu Hong Te (呂鴻德), aged 57, is the Independent Non-Executive Director of the Company and joined the Board in February 2007. He holds a bachelor's degree in industrial management science from National Cheng Kung University, and a master's degree and a doctoral degree in marketing from the Graduate Institute of Business Administration of the College of Management of National Taiwan University. He is now a professor at the department of business administration of Chung Yuan Christian University in Taiwan, specializing in sales management and business competitive strategies. He also serves as a visiting professor at institutions including SGP International Management Academy, Nanyang Technological University's EMBA Center and Xiamen University's EMBA Center. He is an independent non-executive director of Capxon International Electronic Company Limited (stock code: 469), China Lilang Limited (stock code: 1234), China SCE Property Holdings Limited (stock code: 1966) and Cosmo Lady (China) Holdings Company Limited (stock code: 2298), all of which are listed on the Hong Kong Stock Exchange, and an independent director of Uni-President Enterprises Corp. (stock code: 1216), which is listed on the Taiwan Stock Exchange. He is also an independent director of Firich Enterprises Co., Ltd (stock code: 8076) and Lanner Electronics Inc. (stock code: 6245), the shares of which are traded in the Taipei Exchange.

Mr. Dai Zhongchuan (戴仲川), aged 52, is the Independent Non-Executive Director of the Company and joined the Board in April 2009. He holds a bachelor's degree and a master's degree in economics from the Xiamen University. He is currently a deputy officer of rule of country law research center of Huaqiao University. Mr. Dai has over 20 years of working experience in legal research and holds various posts in public services in legal and judiciary area, including a deputy of the National People's Congress, an arbitrator of Quanzhou Municipal Arbitration Commission and a standing committee of National Committee of the Chinese People's Political Consultative Conference of Quanzhou. Mr. Dai is currently an independent director of Fujian Fengzhu Textile Science & Technology Co., Ltd (stock code: 600493) listed on Shanghai Stock Exchange and Xingye Leather Technology Co., Ltd (stock code: 002674) listed on Shenzhen Stock Exchange. He was an independent non-executive director of Fujian Nuoqi Co., Ltd (stock code: 1353), which is listed on the Hong Kong Stock Exchange, from June 2014 to July 2015.

Company Secretary

Mr. Tse Kin Chung (謝建聰), aged 37, was a Joint Company Secretary. Following Mr. Lam Jim's resignation with effect from 1 January 2018, Mr. Tse became the Company Secretary of the Company. He has over 15 years of experience in the field of auditing and financial management. He joined the Company in 2007 and is currently the financial controller of the Company, responsible for financial management, risk management, internal control and compliance matters. He obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management

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

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of ANTA Sports Products Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 88 to 137, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Revenue recognition: Sales to distributors

Refer to note 1 to the consolidated financial statements on page 92 and the accounting policies (T)(i) on page 130.

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

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

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

27 February 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Expressed in Renminbi)

	Note	**2017 RMB'000**	2016 RMB'000
Revenue	1	**16,692,492**	13,345,761
Cost of sales		**(8,451,345)**	(6,886,719)
Gross profit		**8,241,147**	6,459,042
Other net income	2	**457,883**	259,784
Selling and distribution expenses		**(3,809,311)**	(2,830,811)
Administrative expenses		**(901,000)**	(684,643)
Profit from operations		**3,988,719**	3,203,372
Net finance income	3	**321,839**	107,524
Profit before taxation	4	**4,310,558**	3,310,896
Taxation	5	**(1,151,666)**	(866,327)
PROFIT FOR THE YEAR		**3,158,892**	2,444,569
Other comprehensive income for the year			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**(462,891)**	109,293
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,696,001**	2,553,862
PROFIT ATTRIBUTABLE TO:			
Equity shareholders of the Company		**3,087,843**	2,385,546
Non-controlling interests		**71,049**	59,023
PROFIT FOR THE YEAR		**3,158,892**	2,444,569
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of the Company		**2,624,952**	2,494,839
Non-controlling interests		**71,049**	59,023
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**2,696,001**	2,553,862
		RMB cents	RMB cents
Earnings per share	8		
– Basic		**117.01**	95.36
– Diluted		**116.84**	95.16

The notes, significant accounting policies and principal subsidiaries on pages 92 to 137 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 27.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (Expressed in Renminbi)

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Property, plant and equipment	10	**1,203,104**	1,170,363
Construction in progress	11	**705,539**	157,024
Lease prepayments	12(a)	**430,723**	341,752
Prepayments for acquisition of land use rights	12(b)	**15,878**	153,506
Prepayments for acquisition of other non-current assets	12(c)	**89,534**	245,874
Intangible assets	13	**705,332**	477,520
Other financial assets	15	**151,967**	49,350
Deferred tax assets	24(b)	**330,198**	175,036
Total non-current assets		**3,632,275**	2,770,425
Current assets			
Inventories	16	**2,155,262**	1,294,939
Trade and other receivables	17	**3,732,718**	2,641,237
Pledged deposits	18	**149,957**	194,576
Fixed deposits held at banks with maturity over three months	19	**2,436,415**	1,492,405
Cash and cash equivalents	19	**6,967,589**	5,829,959
Total current assets		**15,441,941**	11,453,116
Total assets		**19,074,216**	14,223,541
Current liabilities			
Bank loans	20	**147,911**	937,706
Trade and other payables	21	**3,977,671**	3,060,110
Amounts due to related parties	30(b)	**19,464**	7,499
Current taxation	24(a)	**353,306**	267,190
Total current liabilities		**4,498,352**	4,272,505
Net current assets		**10,943,589**	7,180,611
Total assets less current liabilities		**14,575,864**	9,951,036
Non-current liabilities			
Long-term payable to non-controlling interests			
– unsecured and at amortised cost		**–**	40,286
Deferred tax liabilities	24(b)	**215,330**	14,419
Total non-current liabilities		**215,330**	54,705
Total liabilities		**4,713,682**	4,327,210
Net assets		**14,360,534**	9,896,331
Equity			
Share capital	25	**259,010**	242,698
Reserves	26	**13,447,395**	9,305,930
Total equity attributable to equity shareholders of the Company		**13,706,405**	9,548,628
Non-controlling interests		**654,129**	347,703
Total liabilities and equity		**19,074,216**	14,223,541

The notes, significant accounting policies and principal subsidiaries on pages 92 to 137 form part of these financial statements.

Ding Shizhong
Chairman

Lai Shixian
Executive Director

Hong Kong, 27 February 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017 (Expressed in Renminbi)

		Attributable to equity shareholders of the Company				
	Note	Share capital RMB'000	Reserves RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balances as at 1 January 2016		242,579	8,337,087	8,579,666	234,577	8,814,243
Changes in equity for 2016:						
Profit for the year		–	2,385,546	2,385,546	59,023	2,444,569
Other comprehensive income for the year		–	109,293	109,293	–	109,293
Total comprehensive income for the year		–	2,494,839	2,494,839	59,023	2,553,862
Dividends approved in respect of the previous year	27(b)	–	(801,374)	(801,374)	–	(801,374)
Dividends declared in respect of the current year	27(a)	–	(739,540)	(739,540)	–	(739,540)
Shares issued pursuant to share option schemes	25	119	14,918	15,037	–	15,037
Capital contribution by non-controlling interests of a subsidiary (net of effect of put option owned)		–	–	–	85,000	85,000
Dividend to non-controlling interests of a subsidiary		–	–	–	(30,897)	(30,897)
Balances as at 31 December 2016 and 1 January 2017		**242,698**	**9,305,930**	**9,548,628**	**347,703**	**9,896,331**
Changes in equity for 2017:						
Profit for the year		**–**	**3,087,843**	**3,087,843**	**71,049**	**3,158,892**
Other comprehensive income for the year		**–**	**(462,891)**	**(462,891)**	**–**	**(462,891)**
Total comprehensive income for the year		**–**	**2,624,952**	**2,624,952**	**71,049**	**2,696,001**
Dividends approved in respect of the previous year	27(b)	**–**	**(1,006,774)**	**(1,006,774)**	**–**	**(1,006,774)**
Dividends declared in respect of the current year	27(a)	**–**	**(929,990)**	**(929,990)**	**–**	**(929,990)**
Shares issued pursuant to share option schemes	25	**632**	**40,297**	**40,929**	**–**	**40,929**
Share issued under placing and top-up subscription	25	**15,680**	**3,378,386**	**3,394,066**	**–**	**3,394,066**
Capital contribution-in-kind by non-controlling interests of a subsidiary		**–**	**–**	**–**	**268,272**	**268,272**
Derecognition of long-term payable to non-controlling interests	26(b)	**–**	**34,594**	**34,594**	**6,105**	**40,699**
Dividends to non-controlling interests of subsidiaries		**–**	**–**	**–**	**(39,000)**	**(39,000)**
Balances as at 31 December 2017		**259,010**	**13,447,395**	**13,706,405**	**654,129**	**14,360,534**

The notes, significant accounting policies and principal subsidiaries on pages 92 to 137 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017 (Expressed in Renminbi)

	Note	2017 RMB'000	2016 RMB'000
Operating activities			
Profit before taxation		**4,310,558**	3,310,896
Adjustments for:			
– Depreciation	10	**207,929**	186,978
– Amortisation of lease prepayments	12(a)	**8,532**	8,652
– Amortisation of intangible assets	13	**33,816**	30,376
– Interest expenses	3	**15,539**	64,679
– Interest income	3	**(170,132)**	(119,045)
– Net (gains)/loss on disposal of non-current assets	2	**(18,541)**	2,666
– Provision/(reversal of provision) for doubtful debts	4(c)	**19,592**	(5,868)
– Write-down of inventories	16(b)	**14,092**	7,269
Changes in working capital			
– Increase in inventories		**(725,360)**	(286,080)
– Increase in trade and other receivables		**(1,045,920)**	(470,013)
– Increase in trade and other payables		**1,378,704**	541,558
– Increase/(decrease) in amounts due to related parties		**11,965**	(1,484)
Cash generated from operations		**4,040,774**	3,270,584
Income tax paid		**(1,013,109)**	(948,229)
Interest received		**153,799**	145,225
Net cash generated from operating activities		**3,181,464**	2,467,580
Investing activities			
Payments for purchase of property, plant and equipment		**(63,547)**	(378,029)
Payments for construction in progress		**(483,333)**	(194,618)
Refund of prepayments for acquisition of land use rights		**12,455**	54,943
Payments for purchase of intangible assets		**(38,149)**	(54,965)
Net (increase)/decrease in other financial assets		**(102,816)**	175,525
Placements of pledged deposits		**(101)**	(1,800)
Uplift of pledged deposits		**44,720**	9,750
Placements of fixed deposits held at banks with maturity over three months		**(5,505,624)**	(2,340,039)
Uplift of fixed deposits held at banks with maturity over three months		**4,561,614**	2,212,634
Other cash flows derived from investing activities		**(3,735)**	2,055
Net cash used in investing activities		**(1,578,516)**	(514,544)
Financing activities			
Capital contribution by non-controlling interests of a subsidiary		**–**	100,000
Drawdown of new bank loans	19(b)	**147,911**	937,706
Repayments of bank loans	19(b)	**(975,195)**	(1,330,000)
Payments of interest expense on bank loans		**(30,690)**	(22,151)
Payment for long-term payable to non-controlling interests	19(b)	**(3,684)**	(3,954)
Net (repayment of)/proceeds from issue of bills of exchange	19(b)	**(600,000)**	476,944
Net proceeds from shares issued under placing and top-up subscription	25	**3,394,066**	–
Proceeds from shares issued pursuant to share option schemes	25	**40,929**	15,037
Dividends paid to equity shareholders of the Company	27	**(1,936,764)**	(1,540,914)
Dividends paid to non-controlling interests of subsidiaries		**(39,000)**	(30,897)
Net cash used in financing activities		**(2,427)**	(1,398,229)
Net increase in cash and cash equivalents		**1,600,521**	554,807
Cash and cash equivalents as at 1 January		**5,829,959**	5,165,859
Effect of foreign exchange rate changes		**(462,891)**	109,293
Cash and cash equivalents as at 31 December	19(a)	**6,967,589**	5,829,959

The notes, significant accounting policies and principal subsidiaries on pages 92 to 137 form part of these financial statements.

1. Revenue

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

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

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

	2017 **RMB'000**	2016 RMB'000
Footwear	**7,048,853**	6,000,766
Apparel	**9,116,068**	6,885,698
Accessories	**527,571**	459,297
	16,692,492	13,345,761

For the year ended 31 December 2017, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2016: Nil).

2. Other Net Income

	2017 **RMB'000**	2016 RMB'000
Government grants[(i)]	**439,313**	274,948
Net gains/(loss) on disposal of non-current assets	**18,541**	(2,666)
Dividend income from unlisted equity instruments	**1,990**	–
Others	**(1,961)**	(12,498)
	457,883	259,784

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

3. Net Finance Income

	2017 **RMB'000**	2016 RMB'000
Total interest income on financial assets carried at cost or amortised cost	**170,132**	119,045
Net gains on forward foreign exchange contracts	**–**	30,399
Other net foreign exchange gain	**173,573**	22,759
	343,705	172,203
Total interest expense on financial liabilities carried at cost or amortised cost	**(15,539)**	(64,679)
Net loss on forward foreign exchange contracts	**(6,327)**	–
	(21,866)	(64,679)
Net finance income	**321,839**	107,524

4. Profit Before Taxation

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

		2017 RMB'000	2016 RMB'000
(a)	Staff costs[(i) & (ii)]:		
	Contributions to defined contribution retirement plans	**203,363**	159,181
	Salaries, wages and other benefits	**1,802,454**	1,347,097
		2,005,817	1,506,278
(b)	Operating lease charges:		
	Minimum lease payments	**278,167**	180,273
	Contingent rentals	**615,780**	374,974
		893,947	555,247
(c)	Other items:		
	Cost of inventories[(i)] (note 16(b))	**8,451,345**	6,886,719
	Depreciation[(i)] (note 10)	**207,929**	186,978
	Amortisation		
	– lease prepayments (note 12(a))	**8,532**	8,652
	– intangible assets (note 13)	**33,816**	30,376
	Provision/(reversal of provision) for doubtful debts	**19,592**	(5,868)
	Subcontracting charges[(i)]	**169,670**	175,214
	Auditors' remuneration	**7,380**	6,565
	Research and development costs[(i) & (ii)]	**479,287**	350,790

(i) Cost of inventories includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB1,311,542,000 (2016: RMB1,181,343,000).

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

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

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

	2017 RMB'000	2016 RMB'000
Current tax		
PRC Corporate Income Tax and Macao Complementary (Profits) Tax	**958,734**	829,849
Dividends withholding tax	**140,491**	151,184
Deferred tax (note 24(b))		
Dividends withholding tax	**(140,491)**	(151,184)
Origination and reversal of other temporary differences	**192,932**	36,478
	1,151,666	866,327

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) No provisions for Hong Kong Profits Tax and Singapore Income Tax have been made as the Group does not have assessable profits subject to Hong Kong Profits Tax and Singapore Income Tax during the year ended 31 December 2017 and 2016.

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

(iv) Macao Complementary (Profits) Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profits arising from Macao.

(v) According to the PRC Corporate Income Tax Law and its implementation regulations, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC company. Deferred tax liabilities have been provided for based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

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

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

	2017 RMB'000	2016 RMB'000
Profit before taxation	**4,310,558**	3,310,896
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**959,898**	865,561
Tax effect of non-deductible expenses	**19,057**	29,200
Tax effect of non-taxable income	**(76,650)**	(52,204)
Tax effect of unused tax losses not recognised	**27,192**	11,810
Withholding tax on profits retained by PRC subsidiaries (note 5(a)(v))	**338,145**	83,246
Effect of tax concessions (note 5(a)(iii))	**(115,976)**	(71,286)
Actual tax expense	**1,151,666**	866,327

6. Directors' Emoluments

Details of Directors' emoluments of the Company are set out below:

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive Directors					
Mr. Ding Shizhong	**-**	**1,080**	**65**	**532**	**1,677**
Mr. Ding Shijia	**-**	**1,000**	**65**	**-**	**1,065**
Mr. Lai Shixian	**-**	**1,500**	**65**	**-**	**1,565**
Mr. Wang Wenmo	**-**	**1,000**	**65**	**-**	**1,065**
Mr. Wu Yonghua	**-**	**2,000**	**65**	**-**	**2,065**
Mr. Zheng Jie	**-**	**2,600**	**89**	**-**	**2,689**
	-	**9,180**	**414**	**532**	**10,126**
Independent Non-Executive Directors					
Mr. Yeung Chi Tat	**314**	**-**	**-**	**-**	**314**
Mr. Lu Hong Te	**210**	**-**	**-**	**-**	**210**
Mr. Dai Zhongchuan	**120**	**-**	**-**	**-**	**120**
Total	**644**	**9,180**	**414**	**532**	**10,770**
Year ended 31 December 2016					
Executive Directors					
Mr. Ding Shizhong	–	1,080	60	532	1,672
Mr. Ding Shijia	–	1,000	60	–	1,060
Mr. Lai Shixian	–	1,500	60	–	1,560
Mr. Wang Wenmo	–	1,000	60	–	1,060
Mr. Wu Yonghua	–	2,000	60	–	2,060
Mr. Zheng Jie	–	2,600	84	–	2,684
	–	9,180	384	532	10,096
Independent Non-Executive Directors					
Mr. Yeung Chi Tat	243	–	–	–	243
Mr. Lu Hong Te	162	–	–	–	162
Mr. Dai Zhongchuan	104	–	–	–	104
Total	509	9,180	384	532	10,605

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

7. Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments, 1 (2016: 1) is also a Director of the Company whose emolument is disclosed in note 6. The aggregate of the emoluments in respect of the remaining 4 (2016: 4) individuals are as follows:

	2017 RMB'000	2016 RMB'000
Salaries and other emoluments	**10,048**	8,377
Discretionary bonuses	**6,537**	6,673
Contributions to retirement benefit scheme	**80**	32
	16,665	15,082

The 4 (2016: 4) individuals include 1 (2016: 1) senior management that is not a Director of the Company. The emoluments of the 4 (2016: 4) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2017	2016
RMB3,000,001 to RMB3,500,000	**1**	2
RMB3,500,001 to RMB4,000,000	**–**	1
RMB4,000,001 to RMB4,500,000	**2**	–
RMB4,500,001 to RMB5,000,000	**–**	1
RMB5,000,001 to RMB5,500,000	**1**	–

8. Earnings Per Share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB3,087,843,000 (2016: RMB2,385,546,000) and the weighted average number of ordinary shares in issue during the year of 2,638,960,000 (2016: 2,501,505,000).

Weighted average number of ordinary shares

	2017 '000 Shares	2016 '000 Shares
Issued ordinary shares as at 1 January	**2,502,471**	2,501,121
Effect of share options exercised	**4,160**	384
Effect of shares issued under placing and top-up subscription	**132,329**	–
Weighted average number of ordinary shares as at 31 December	**2,638,960**	2,501,505

8. Earnings Per Share (Continued)

(b) Diluted earnings per share

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

Weighted average number of ordinary shares (diluted)

	2017 '000 Shares	2016 '000 Shares
Weighted average number of ordinary shares as at 31 December	**2,638,960**	2,501,505
Effect of deemed issue of shares under the Company's share option schemes	**3,860**	5,476
Weighted average number of ordinary shares (diluted) as at 31 December	**2,642,820**	2,506,981

9. Company-level Statement of Financial Position

	Note	**2017 RMB'000**	2016 RMB'000
Non-current assets			
Investments in subsidiaries	14	**131**	142
Total non-current assets		**131**	142
Current assets			
Other receivables		**6,682**	4,379
Amounts due from subsidiaries		**6,456,395**	3,787,256
Fixed deposits held at banks with maturity over three months		**462,847**	–
Cash and cash equivalents		**558,093**	10,873
Total current assets		**7,484,017**	3,802,508
Total assets		**7,484,148**	3,802,650
Current liabilities			
Other payables		**2,744**	6,300
Total current liabilities		**2,744**	6,300
Net current assets		**7,481,273**	3,796,208
Total assets less current liabilities		**7,481,404**	3,796,350
Equity			
Share capital	25	**259,010**	242,698
Reserves	26	**7,222,394**	3,553,652
Total equity		**7,481,404**	3,796,350
Total liabilities and equity		**7,484,148**	3,802,650

(Expressed in Renminbi unless otherwise indicated)

10. Property, Plant and Equipment

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture and fixtures RMB'000	Retail outlets leasehold improvements RMB'000	Total RMB'000
Cost:						
As at 1 January 2016	1,016,477	223,959	31,155	401,390	75,281	1,748,262
Additions	1,850	55,454	2,488	38,192	57,820	155,804
Transfer from construction in progress (note 11)	59,246	341	–	25,480	–	85,067
Disposals	(40)	(18,573)	(1,004)	(7,986)	(49,575)	(77,178)
As at 31 December 2016 and 1 January 2017	**1,077,533**	**261,181**	**32,639**	**457,076**	**83,526**	**1,911,955**
Additions	**41,495**	**27,727**	**9,233**	**31,547**	**112,906**	**222,908**
Transfer from construction in progress (note 11)	**7,745**	**1,404**	**–**	**4,516**	**–**	**13,665**
Capital contribution-in-kind by non-controlling interests of a subsidiary	**–**	**–**	**–**	**309**	**10,697**	**11,006**
Disposals	**(1,252)**	**(22,422)**	**(8,759)**	**(11,111)**	**(50,391)**	**(93,935)**
As at 31 December 2017	**1,125,521**	**267,890**	**33,113**	**482,337**	**156,738**	**2,065,599**
Accumulated depreciation:						
As at 1 January 2016	223,128	110,832	21,640	231,474	39,997	627,071
Charge for the year (note 4)	54,499	19,469	1,972	54,743	56,295	186,978
Written back on disposals	(40)	(15,710)	(870)	(6,889)	(48,948)	(72,457)
As at 31 December 2016 and 1 January 2017	**277,587**	**114,591**	**22,742**	**279,328**	**47,344**	**741,592**
Charge for the year (note 4)	**57,534**	**19,673**	**4,279**	**56,637**	**69,806**	**207,929**
Written back on disposals	**(112)**	**(19,307)**	**(7,803)**	**(9,887)**	**(49,917)**	**(87,026)**
As at 31 December 2017	**335,009**	**114,957**	**19,218**	**326,078**	**67,233**	**862,495**
Net book value:						
As at 31 December 2017	**790,512**	**152,933**	**13,895**	**156,259**	**89,505**	**1,203,104**
As at 31 December 2016	799,946	146,590	9,897	177,748	36,182	1,170,363

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

11. Construction in Progress

	2017 RMB'000	2016 RMB'000
As at 1 January	**157,024**	44,544
Additions	**562,180**	197,547
Transfer to property, plant and equipment (note 10)	**(13,665)**	(85,067)
As at 31 December	**705,539**	157,024

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

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

(a) Lease prepayments

	2017 **RMB'000**	2016 RMB'000
Cost:		
As at 1 January	**378,710**	331,337
Transfer from prepayments for acquisition of land use rights	**125,173**	47,373
Disposals	**(30,131)**	–
As at 31 December	**473,752**	378,710
Accumulated amortisation:		
As at 1 January	**36,958**	28,306
Charge for the year (note 4)	**8,532**	8,652
Written back on disposals	**(2,461)**	–
As at 31 December	**43,029**	36,958
Net book value:		
As at 31 December	**430,723**	341,752

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

(b) Prepayments for acquisition of land use rights

As at 31 December 2017, the Group made prepayments of RMB15,878,000 (2016: RMB153,506,000) for the acquisition of land use rights for certain properties held for own use under development in the PRC. The related land use right certificates were under application as at 31 December 2017.

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

As at 31 December 2017, the Group made prepayments of RMB89,534,000 (2016: RMB245,874,000) for the acquisition of certain properties, plants and machineries and computer software.

(Expressed in Renminbi unless otherwise indicated)

13. Intangible Assets

	Computer software RMB'000	Patents and trademarks RMB'000	Total RMB'000
Cost:			
As at 1 January 2016	127,672	483,051	610,723
Additions	13,724	30,034	43,758
As at 31 December 2016 and 1 January 2017	**141,396**	**513,085**	**654,481**
Additions	12,242	25,907	38,149
Capital contribution-in-kind by non-controlling interests of a subsidiary	199	223,280	223,479
Disposals	(217)	–	(217)
As at 31 December 2017	**153,620**	**762,272**	**915,892**
Accumulated amortisation:			
As at 1 January 2016	66,555	80,030	146,585
Charge for the year (note 4)	17,012	13,364	30,376
As at 31 December 2016 and 1 January 2017	**83,567**	**93,394**	**176,961**
Charge for the year (note 4)	18,721	15,095	33,816
Written back on disposals	(217)	–	(217)
As at 31 December 2017	**102,071**	**108,489**	**210,560**
Net book value:			
As at 31 December 2017	**51,549**	**653,783**	**705,332**
As at 31 December 2016	57,829	419,691	477,520

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

14. Investments in Subsidiaries

The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2017 are shown on pages 133 to 137.

15. Other Non-current Financial Assets

	2017 RMB'000	2016 RMB'000
Listed held-to-maturity debt securities	**102,617**	–
Unlisted available-for-sale equity instruments	**49,350**	49,350
	151,967	49,350

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

16. Inventories

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

	2017 RMB'000	2016 RMB'000
Raw materials	**133,954**	103,973
Work in progress	**179,058**	185,033
Finished goods	**1,842,250**	1,005,933
	2,155,262	1,294,939

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

	2017 RMB'000	2016 RMB'000
Carrying amount of inventories sold	**8,437,253**	6,879,450
Write-down of inventories	**14,092**	7,269
	8,451,345	6,886,719

17. Trade and Other Receivables

	2017 RMB'000	2016 RMB'000
Trade receivables	**2,117,904**	1,675,452
Less: Provision for doubtful debts	**(29,164)**	(9,572)
	2,088,740	1,665,880
Advance payments to suppliers	**498,717**	523,540
Deposits and other prepayments	**697,478**	249,808
VAT deductible	**358,575**	132,694
Interest receivables	**56,869**	40,337
Derivative financial instruments	**–**	11,364
Other receivables	**32,339**	17,614
	3,732,718	2,641,237

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

	2017 RMB'000	2016 RMB'000
Current	**2,059,576**	1,656,309
Less than 3 months past due	**53,442**	17,535
Past due over 3 months	**4,886**	1,608
	2,117,904	1,675,452

17. Trade and Other Receivables (Continued)

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

	2017 RMB'000	2016 RMB'000
As at 1 January	**9,572**	15,440
Provision/(reversal of provision) for doubtful debts recognised	**19,592**	(5,868)
As at 31 December	**29,164**	9,572

The Group normally grants a credit period of 30 to 90 days to its customers. There were no trade receivables that were past due at the end of the reporting period but not impaired. Receivables that were current relate to customers for whom there was no recent history of default. As at 31 December 2017, the Group has assessed the recoverability of the receivables past due and established a provision of doubtful debts. The provision for doubtful debts is recorded using a provision account unless the Group is satisfied that recovery is remote, in which case the unrecovered loss is written off against trade receivables and the provision for doubtful debts directly. The Group does not hold any collateral over these balances.

18. Pledged Deposits

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

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

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

	2017 RMB'000	2016 RMB'000
Deposits with banks within three months to maturity when placed	**4,151,390**	4,157,634
Cash at bank and in hand	**2,816,199**	1,672,325
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**6,967,589**	5,829,959
Deposits with banks with more than three months to maturity when placed	**2,436,415**	1,492,405
	9,404,004	7,322,364

As at 31 December 2017, the balances that were placed with banks in the PRC amounted to RMB3,557,276,000 (2016: RMB4,265,345,000). Remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

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

(b) Reconciliation of liabilities arising from financing activities:

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

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

20. Bank Loans

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

(Expressed in Renminbi unless otherwise indicated)

21. Trade and Other Payables

	2017 RMB'000	2016 RMB'000
Trade payables	**1,446,651**	910,371
Bills payable	**–**	600,000
Receipts in advance from customers	**57,765**	90,006
Construction costs payables	**128,404**	48,557
VAT and other taxes payables	**191,406**	131,777
Accruals	**1,789,179**	1,031,745
Derivative financial instruments	**1,891**	–
Other payables	**362,375**	247,654
	3,977,671	3,060,110

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

	2017 RMB'000	2016 RMB'000
Within 3 months	**1,405,181**	857,726
3 months to 6 months	**22,240**	35,990
Over 6 months	**19,230**	16,655
	1,446,651	910,371

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

22. Employee Retirement Benefits

Defined contribution retirement plans

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

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

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

23. Equity-settled Share-based Payments

(a) Pre-IPO share option scheme

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

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

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

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

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

	2017 Weighted average exercise price	**2017** Number of options '000	2016 Weighted average exercise price	2016 Number of options '000
Outstanding at the beginning of the year	**HK$4.224**	**5,888**	HK$4.224	6,281
Exercised during the year	**HK$4.224**	**(5,738)**	HK$4.224	(393)
Lapsed during the year	**HK$4.224**	**(150)**	–	–
Outstanding at the end of the year	**–**	**–**	HK$4.224	5,888
Exercisable at the end of the year	**–**	**–**	HK$4.224	5,888

The Pre-IPO share option scheme was valid and effective for a period of 10 years from the adoption of the scheme and on 10 June 2017, the Pre-IPO share option scheme was expired. As a result of the expiration of the Pre-IPO share option scheme, all share options granted but not exercised under the Pre-IPO share option scheme lapsed on the same date.

The weighted average share price at the date of exercise for share options exercised during the year was HK$21.76 (2016: HK$21.23).

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

(b) Share option scheme

Share Option Scheme I

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

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

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

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

	2017		2016	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HK$16.20**	**5,478**	HK$16.20	6,435
Exercised during the year	**HK$16.20**	**(1,360)**	HK$16.20	(957)
Outstanding at the end of the year	**HK$16.20**	**4,118**	HK$16.20	5,478
Exercisable at the end of the year	**HK$16.20**	**4,118**	HK$16.20	5,478

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

The weighted average share price at the date of exercise for share options exercised during the year was HK$27.47 (2016: HK$21.67).

The options outstanding at 31 December 2017 had an exercise price of HK$16.20 (2016: HK$16.20) and a weighted average remaining contractual life of 3 years (2016: 4 years).

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

(b) Share option scheme (Continued)

Share Option Scheme II

Pursuant to a resolution passed by the shareholders of the Company at the annual general meeting held on 6 April 2017, to enable the continuity of Share Option Scheme I terminated, the Company has adopted a new share option scheme ("Share Option Scheme II"). 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.

24. Taxation in the Consolidated Statement of Financial Position

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

Current taxation in the consolidated statement of financial position represents provisions for PRC Corporate Income Tax and Macao Complementary (Profits) Tax.

(b) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Dividend withholding tax RMB'000	Other deferred tax liabilities RMB'000	Other deferred tax assets RMB'000	Total RMB'000
As at 1 January 2016	77,553	8,192	(131,656)	(45,911)
Charged/(credited) to profit or loss (note 5(a))	83,246	(3,388)	(43,380)	36,478
Released upon distribution of dividends (note 5(a)(v))	(151,184)	–	–	(151,184)
As at 31 December 2016 and 1 January 2017	**9,615**	**4,804**	**(175,036)**	**(160,617)**
Charged/(credited) to profit or loss (note 5(a))	**338,145**	**3,257**	**(148,470)**	**192,932**
Capital contribution-in-kind by non-controlling interests of a subsidiary	**–**	**–**	**(6,692)**	**(6,692)**
Released upon distribution of dividends (note 5(a)(v))	**(140,491)**	**–**	**–**	**(140,491)**
As at 31 December 2017	**207,269**	**8,061**	**(330,198)**	**(114,868)**

(ii) Reconcilliation to the consolidated statement of financial position

	2017 RMB'000	2016 RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(330,198)**	(175,036)
Net deferred tax liability recognised in the consolidated statement of financial position	**215,330**	14,419
	(114,868)	(160,617)

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

(c) Deferred tax assets not recognised:

As at 31 December 2017, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB185,873,000 (2016: RMB78,428,000) of which RMB112,352,000 (2016: RMB30,277,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as a deferred tax asset as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognised:

As at 31 December 2017, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in the PRC amounted to RMB2,244,080,000 (2016: RMB5,216,287,000). Deferred tax liabilities of RMB112,204,000 (2016: RMB260,814,000) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in the PRC and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

25. Share Capital

	Par value HK$	Number of Shares ’000	Nominal value of ordinary shares HK$’000
Authorised:			
Ordinary shares			
As at 31 December 2016 and 2017	**0.10**	**5,000,000**	**500,000**

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

	Par value	Number of Shares	Nominal value of ordinary shares	
	HK$	’000	HK$’000	RMB’000
Issued and fully paid:				
As at 1 January 2016	0.10	2,501,121	250,112	242,579
Shares issued pursuant to share option schemes	0.10	1,350	135	119
As at 31 December 2016 and 1 January 2017	**0.10**	**2,502,471**	**250,247**	**242,698**
Shares issued pursuant to share option schemes	0.10	7,098	710	632
Shares issued under placing and top-up subscription	0.10	175,000	17,500	15,680
As at 31 December 2017	**0.10**	**2,684,569**	**268,457**	**259,010**

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

During the year, pursuant to the Company’s share option schemes (note 23), options were exercised to subscribe for 7,098,000 ordinary shares (2016: 1,350,000 shares) in the Company at a consideration of RMB40,929,000 (2016: RMB15,037,000) of which RMB632,000 (2016: RMB119,000) was credited to share capital and the balance of RMB40,297,000 (2016: RMB14,918,000) was credited to the share premium account. RMB6,178,000 (2016: RMB3,843,000) has been transferred from the share-based compensation reserve to the share premium account. 150,000 options were lapsed during the year (2016: Nil). As at 31 December 2017, the total number of shares which may be issued upon the exercise of all options outstanding from the Company’s share option schemes is 4,118,000 (2016: 11,366,000).

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

26. Reserves

The Group

	Note	Share premium RMB'000 (Note 26(a))	Capital reserve RMB'000 (Note 26(b))	Statutory reserve RMB'000 (Note 26(c))	Exchange reserve RMB'000 (Note 26(d))	Share-based compensation reserve RMB'000 (Note 26(e))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2016		397,476	141,029	622,546	(274,027)	26,741	7,423,322	8,337,087
Profit for the year		–	–	–	–	–	2,385,546	2,385,546
Other comprehensive income for the year		–	–	–	109,293	–	–	109,293
Total comprehensive income for the year		–	–	–	109,293	–	2,385,546	2,494,839
Dividends approved in respect of the previous year	27(b)	–	–	–	–	–	(801,374)	(801,374)
Dividends declared in respect of the current year	27(a)	–	–	–	–	–	(739,540)	(739,540)
Shares issued pursuant to share option schemes	25	18,761	–	–	–	(3,843)	–	14,918
Appropriation to statutory reserve	26(c)	–	–	188,337	–	–	(188,337)	–
As at 31 December 2016 and 1 January 2017		**416,237**	**141,029**	**810,883**	**(164,734)**	**22,898**	**8,079,617**	**9,305,930**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**3,087,843**	**3,087,843**
Other comprehensive income for the year		**–**	**–**	**–**	**(462,891)**	**–**	**–**	**(462,891)**
Total comprehensive income for the year		**–**	**–**	**–**	**(462,891)**	**–**	**3,087,843**	**2,624,952**
Dividends approved in respect of the previous year	27(b)	**–**	**–**	**–**	**–**	**–**	**(1,006,774)**	**(1,006,774)**
Dividends declared in respect of the current year	27(a)	**–**	**–**	**–**	**–**	**–**	**(929,990)**	**(929,990)**
Shares issued pursuant to share option schemes	25	**46,475**	**–**	**–**	**–**	**(6,178)**	**–**	**40,297**
Appropriation to statutory reserve	26(c)	**–**	**–**	**299,719**	**–**	**–**	**(299,719)**	**–**
Share issued under placing and top-up subscription	25	**3,378,386**	**–**	**–**	**–**	**–**	**–**	**3,378,386**
Equity-settled share-based payments	26(e)	**–**	**–**	**–**	**–**	**(117)**	**117**	**–**
Derecognition of long-term payable to non-controlling interests	26(b)	**–**	**34,594**	**–**	**–**	**–**	**–**	**34,594**
As at 31 December 2017		**3,841,098**	**175,623**	**1,110,602**	**(627,625)**	**16,603**	**8,931,094**	**13,447,395**

26. Reserves (Continued)

The Company

	Note	Share premium RMB'000 (Note 26(a))	Exchange reserve RMB'000 (Note 26(d))	Share-based compensation reserve RMB'000 (Note 26(e))	Retained profits RMB'000	Total reserves RMB'000
As at 1 January 2016		397,476	(316,162)	26,741	956,531	1,064,586
Profit for the year		–	–	–	3,995,014	3,995,014
Other comprehensive income for the year		–	20,048	–	–	20,048
Total comprehensive income for the year		–	20,048	–	3,995,014	4,015,062
Dividends approved in respect of the previous year	27(b)	–	–	–	(801,374)	(801,374)
Dividends declared in respect of the current year	27(a)	–	–	–	(739,540)	(739,540)
Shares issued pursuant to share option schemes	25	18,761	–	(3,843)	–	14,918
As at 31 December 2016 and 1 January 2017	9	**416,237**	**(296,114)**	**22,898**	**3,410,631**	**3,553,652**
Profit for the year		**–**	**–**	**–**	**2,611,360**	**2,611,360**
Other comprehensive income for the year		**–**	**(424,537)**	**–**	**–**	**(424,537)**
Total comprehensive income for the year		**–**	**(424,537)**	**–**	**2,611,360**	**2,186,823**
Dividends approved in respect of the previous year	27(b)	**–**	**–**	**–**	**(1,006,774)**	**(1,006,774)**
Dividends declared in respect of the current year	27(a)	**–**	**–**	**–**	**(929,990)**	**(929,990)**
Shares issued pursuant to share option schemes	25	**46,475**	**–**	**(6,178)**	**–**	**40,297**
Share issued under placing and top-up subscription	25	**3,378,386**	**–**	**–**	**–**	**3,378,386**
Equity-settled share-based payments	26(e)	**–**	**–**	**(117)**	**117**	**–**
As at 31 December 2017	9	**3,841,098**	**(720,651)**	**16,603**	**4,085,344**	**7,222,394**

(a) Share premium and distributability of reserves

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

The aggregate amount of distributable reserves, including share premium and retained profits, of the Company as at 31 December 2017 was HK$8,593,478,000 (2016: HK$3,897,545,000).

26. Reserves (Continued)

(b) Capital reserve

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

During the year, the non-controlling shareholders of Full Prospect Sports Limited ("Full Prospect") 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 (amounting to RMB40,699,000) was therefore derecognised. Such derecognition was reflected as a corresponding increase in capital reserve (amounting to RMB34,594,000) and non-controlling interest (amounting to RMB6,105,000).

(c) Statutory reserve

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

(d) Exchange reserve

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

(e) Share-based compensation reserve

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

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

(f) Capital management

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

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

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

27. Dividends

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

	2017 RMB'000	2016 RMB'000
Interim dividend declared and paid of HK41 cents per ordinary share (2016: HK34 cents per ordinary share)	**929,990**	739,540
Final dividend recommended after the end of the reporting period of HK41 cents per ordinary share (2016: HK34 cents per ordinary share)	**897,337**	815,007
Special dividend recommended after the end of the reporting period of HK16 cents per ordinary share (2016: HK8 cents per ordinary share)	**350,180**	191,767
	2,177,507	1,746,314

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

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

	2017 RMB'000	2016 RMB'000
Final dividend in respect of the year ended 31 December 2016, approved and paid during the year, of HK34 cents per ordinary share (2015: HK30 cents per ordinary share)	**815,007**	632,664
Special dividend in respect of the year ended 31 December 2016, approved and paid during the year, of HK8 cents per ordinary share (2015: HK8 cents per ordinary share)	**191,767**	168,710
	1,006,774	801,374

28. Financial Risk Management and Fair Values

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, deposits with banks and held-to-maturity debt securities.

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

The Group's exposure to credit risk on trade and other receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at the end of the reporting period, 4% (2016: 7%) and 20% (2016: 25%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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

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

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

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

28. Financial Risk Management and Fair Values (Continued)

(b) Liquidity risk

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

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

	Contractual undiscounted cash outflows/(inflows)					Carrying amount on consolidated statement of financial position
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	RMB'000
As at 31 December 2017						
Non-derivative financial liabilities:						
Bank loans	**149,664**	**–**	**–**	**–**	**149,664**	**147,911**
Trade and other payables	**3,977,671**	**–**	**–**	**–**	**3,977,671**	**3,977,671**
Amounts due to related parties	**19,464**	**–**	**–**	**–**	**19,464**	**19,464**
	4,146,799	**–**	**–**	**–**	**4,146,799**	**4,145,046**
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	**500,000**	**–**	**–**	**–**	**500,000**	
– inflow	**(499,961)**	**–**	**–**	**–**	**(499,961)**	
As at 31 December 2016						
Non-derivative financial liabilities:						
Bank loans	947,093	–	–	–	947,093	937,706
Trade and other payables	3,060,110	–	–	–	3,060,110	3,060,110
Amounts due to related parties	7,499	–	–	–	7,499	7,499
Long-term payable to non-controlling interests	–	4,257	12,772	68,116	85,145	40,286
	4,014,702	4,257	12,772	68,116	4,099,847	4,045,601
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	200,000	–	–	–	200,000	
– inflow	(210,344)	–	–	–	(210,344)	

(Expressed in Renminbi unless otherwise indicated)

28. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

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

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

Interest rate profile

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

	2017		2016	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Financial instruments				
Fixed rate instruments:				
Held-to-maturity debt sesurities	**3.43%~3.59%**	**102,617**	–	–
Pledged deposits	**0.73%~4.85%**	**149,957**	2.50%~4.85%	194,576
Bank deposits	**1.61%~4.80%**	**6,587,805**	1.10%~9.00%	5,650,039
Bank loans	**4.35%**	**(110,000)**	3.48%~4.35%	(937,706)
		6,730,379		4,906,909
Variable rate instruments:				
Cash at bank	**0.01%~0.30%**	**2,816,199**	0.01%~0.30%	1,672,325
Bank loans	**HIBOR + 3.00%**	**(37,911)**	–	–
		2,778,288		1,672,325
Total instruments		**9,508,667**		6,579,234
Fixed rate instruments as a percentage of total instruments		**71%**		75%

As at 31 December 2017, the Group's variable rate instruments are mainly cash at bank and certain bank loans and the Group considered that the overall interest rate risk resulting from change in market interest rate was not significant.

28. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

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

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Renminbi)					
	2017 Renminbi RMB'000	**2017 Hong Kong Dollars RMB'000**	**2017 United States Dollars RMB'000**	2016 Renminbi RMB'000	2016 Hong Kong Dollars RMB'000	2016 United States Dollars RMB'000
Cash and cash equivalents	**1,548,677**	**1,713**	**1,572,476**	435,934	709	876,248
Fixed deposits held at banks with maturity over three months	**1,450,000**	**–**	**985,678**	570,000	–	922,405
Pledged deposits	**1,800**	**–**	**–**	1,800	–	–
Trade and other receivables	**17,961**	**–**	**54,293**	6,816	3	13,227
Amount due from group companies	**467,209**	**–**	**–**	397,205	–	–
Held-to-maturity debt securities	**–**	**–**	**102,617**	–	–	–
Bank loans	**–**	**–**	**–**	(800,000)	–	–
Trade and other payables	**–**	**–**	**(37,533)**	(16,506)	(131)	(61,463)
Long-term payable to non-controlling interests	**–**	**–**	**–**	–	–	(40,286)
Gross exposure to currency risk	**3,485,647**	**1,713**	**2,677,531**	595,249	581	1,710,131
Notional amounts of forward foreign exchange contracts	**(500,000)**	**–**	**499,961**	(200,000)	–	210,344
Net exposure to currency risk	**2,985,647**	**1,713**	**3,177,492**	395,249	581	1,920,475

28. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	2017			2016		
	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after taxation and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates in %	Effect on profit after taxation and retained profits RMB'000	Effect on other components of equity RMB'000
Renminbi	**5**	**149,282**	**(149,282)**	5	19,763	(19,763)
	(5)	**(149,282)**	**149,282**	(5)	(19,763)	19,763
Hong Kong dollars	**5**	**85**	**15,095**	5	29	3,657
	(5)	**(85)**	**(15,095)**	(5)	(29)	(3,657)
United States dollars	**5**	**15,746**	**142,224**	5	(2,179)	97,741
	(5)	**(15,746)**	**(142,224)**	(5)	2,179	(97,741)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation (and retained profits) and other components of consolidated equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling as at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis is performed on the same basis for 2016.

(e) Commodity price risk

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

(f) Business risk

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

28. Financial Risk Management and Fair Values (Continued)

(g) Fair values measurement

(i) Financial assets and liabilities measured at fair value

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

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

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

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

	2017 **Level 2** **RMB'000**	2016 Level 2 RMB'000
Recurring fair value measurements		
Assets/(Liabilities)		
Derivative financial instruments:		
– Forward foreign exchange contracts	**(1,891)**	11,364

During the year ended 31 December 2017 and 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

The carrying amounts of all financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 December 2017, except for the held-to-maturity debt securities, which the fair value is approximately RMB101,061,000 and the level of fair value hierarchy is Level 1.

29. Commitments

(a) Operating leases

As at 31 December 2017, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**352,636**	273,060
After 1 year but within 5 years	**320,497**	177,876
After 5 years	**25,665**	7,678
	698,798	458,614

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

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

(b) Capital commitments

Capital commitments outstanding as at 31 December 2017 not provided for in the financial statements were as follows:

	2017 RMB'000	2016 RMB'000
Contracted for	**518,239**	686,282
Authorised but not contracted for	**469,506**	404,362
	987,745	1,090,644

30. Material Related Party Transactions

(a) Transactions with related parties

	2017 RMB'000	2016 RMB'000
Recurring transactions		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. ("Quanzhou Anda")	**56,183**	41,951
Service fees		
– Mr. Ding Shijia	**19,722**	19,681

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

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

(b) Balance with related parties

	2017 RMB'000	2016 RMB'000
Amounts due to related parties		
Trade balance		
– Quanzhou Anda	**13,254**	5,913
Other balance		
– Mr. Ding Shijia	**6,210**	1,586
	19,464	7,499

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:

	2017 RMB'000	2016 RMB'000
Short-term employee benefits	**15,169**	13,537

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

31. Significant Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The Group believes the following critical accounting policies involve the most significant estimates and judgements used in the preparation of the financial statements.

(a) Impairments

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

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

(b) Net realisable value of inventories

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

(c) Impairment of trade and other receivables

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

(d) Depreciation and amortisation

The management reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses charge for the year. The management determines that the remaining useful life of the FILA PRC Trademark is 30 years based on management's expertise in the sportswear industry. It could change significantly as a result of changes in the sportswear market. The useful lives of other assets are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(e) Provision for deferred tax

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

32. Revised IFRSs/HKFRSs

The IASB and HKICPA have issued a number of amendments to IFRSs/HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 19(b) to satisfy the new disclosure requirements introduced by the amendments to IAS/HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

33. Non-adjusting Event after the Reporting Period

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

34. Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended 31 December 2017

Up to the date of issue of these financial statements, the IASB and HKICPA have issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
IFRS/HKFRS 9	Financial instruments	1 January 2018
IFRS/HKFRS 15	Revenue from contracts with customers	1 January 2018
IFRS/HKFRS 16	Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS/HKFRS 9 and IFRS/HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

IFRS/HKFRS 9 Financial Instruments

IFRS/HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to adopt IFRS/HKFRS 9 initially on 1 January 2018.

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

- The classification for debt securities is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt security is classified as FVOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

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

34. Possible impact of Amendments, New Standards and Interpretations issued but not yet effective for the year ended 31 December 2017 (Continued)

IFRS/HKFRS 9 Financial Instruments (Continued)

The Group has assessed that its debt securities currently measured at amortised cost will continue with their classification and measurements upon the adoption of IFRS/HKFRS 9. With respect to the investments in equity instruments currently classified as available-for-sale financial assets, the Group has assessed they will fall within the classification as FVTPL with the irrevocable option at inception to present changes in FVOCI which will not be recycling to the profit and loss, hence, there will be a change to the accounting of these assets. The Group considered the cost is the best estimation of fair value for these available-for-sale financial assets and this new requirement will not have any impact on the Group on adoption of IFRS/HKFRS 9.

IFRS/HKFRS 9 only affects the accounting for financial liabilities that are designated at FVTPL. The Group did not have any financial liabilities designated at FVTPL as at 31 December 2017.

There is a change in hedge accounting rules that more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group did not have any such hedging instruments as at 31 December 2017.

IFRS/HKFRS 9 requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under IAS/HKAS 39. It will apply to financial assets measured at amortised cost and debt securities measured at FVOCI. The Group has assessed how its impairment provisions would be affected by the new model. So far it has concluded that there would be no material impact for the application of the new impairment requirements.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

IFRS/HKFRS 15 Revenue from Contracts with Customers

IFRS/HKFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group currently plans to adopt IFRS/HKFRS 15 initially on 1 January 2018.

IFRS/HKFRS 15 establishes a five-step model comprehensive framework for the recognition of revenue from contracts with customer: (i) identify the contract; (ii) identify performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Group has assessed that the application of IFRS/HKFRS 15 in the future will not have a significant impact on the Group's consolidated financial statements.

IFRS/HKFRS 16 Leases

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

IFRS/HKFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard.

The Group is in the process of making an assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. In addition, the nature of expenses related to those leases will now change as IFRS/HKFRS 16 replaces the straightline operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Save as discussed above, all other new standards, amendments to standards and interpretations issued but not effective are not likely to have significant impact on the consolidated financial statements.

35. Immediate and Ultimate Holding Company

The Directors consider the immediate and ultimate holding company of the Company as at 31 December 2017 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

36. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 27 February 2018.

SIGNIFICANT ACCOUNTING POLICIES

(A) Statement of Compliance

The Company was incorporated in the Cayman Islands on 8 February 2007. The shares of the Company were listed on the Main Board of Hong Kong Stock Exchange on 10 July 2007.

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

(B) Basis of Preparation

The consolidated financial statements for the year ended 31 December 2017 comprise the Company and its subsidiaries (collectively the “Group”). These financial statements are presented in Renminbi (RMB), rounded to the nearest thousand, and are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting polices set out below:

– Derivative financial instruments (see (M))

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

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

Judgements made by management in the application of IFRSs/HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 31.

(C) Subsidiaries and Non-Controlling Interests

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

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

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

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

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

(D) Other Investments in Debt Securities and Equity Instruments

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

Investments in equity instruments that do not have a quoted price in an active market for an identical instrument and whose fair value cannot otherwise be reliably measured are recognised in the statement of financial position at cost less impairment losses (see (J)). The relevant dividend income is recognised in profit or loss when the right to receive payment is established.

Investment in debt securities that the Group has the positive ability and intention to hold to maturity are classified as held-to-maturity debt securities. Held-to-maturity debt securities are stated at amortised cost less impairment losses (see (J)).

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

(E) Property, Plant and Equipment

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

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

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

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

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

(F) Construction in Progress

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

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

(G) Lease Prepayments

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

(H) Intangible Assets

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

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

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

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

(I) Operating Lease Charges

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

(J) Impairment of Assets

(i) Impairment of investments in debt securities and equity instruments and trade and other receivables

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

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

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

- For unquoted equity instruments carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity instruments carried at cost are not reversed.

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

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

(J) Impairment of Assets (Continued)

(i) Impairment of investments in debt securities and equity instruments and trade and other receivables (Continued)

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

(ii) Impairment of other assets

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

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

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(K) Inventories

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

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

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

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

(L) Trade and Other Receivables

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

(M) Derivative Financial Instruments

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

(N) Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(O) Trade and Other Payables

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

(P) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(Q) Employee Benefits

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

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

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

(ii) Share-based payments

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

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

(R) Income Tax

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

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

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

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

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

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

(R) Income Tax (Continued)

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

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

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

  – the same taxable entity; or

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

(S) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(T) Revenue Recognition

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

(i) Sale of goods

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

(ii) Interest income

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

(iii) Rental income from operating leases

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

(iv) Government grants

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

(U) Translation of Foreign Currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

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

(V) Research and Development

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

(W) Dividends

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

(X) Related Parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(Y) Segment Reporting

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

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

PRINCIPAL SUBSIDIARIES

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

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
廈門安踏有限公司(「廈門安踏」) Xiamen ANTA Company Limited (“Xiamen ANTA”) (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Investment holding and trading of sporting goods
福建安踏物流信息科技有限公司(「安踏物流」) Fujian ANTA Logistics Information Technology Co., Ltd.(“ANTA Logistics”) (Notes (ii) and (iii))	PRC	RMB779,000,000	–	100%	Logistics services
廈門安踏實業有限公司(「廈門安踏實業」) Xiamen ANTA Industrial Limited (“Xiamen ANTA Industrial”) (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏電子商務有限公司(「廈門安踏電子商務」) Xiamen ANTA E-Commerce Limited (“Xiamen ANTA E-Commerce”) (Notes (ii) and (iii))	PRC	RMB20,000,000	–	100%	Retailing of sporting goods
河南安踏體育用品有限公司(「河南安踏」) Henan ANTA Sports Products Limited (“Henan ANTA”) (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
河南安踏鞋材有限公司(「河南鞋材」) Henan ANTA Material Supply Limited (“Henan Material”) (Notes (ii) and (iii))	PRC	RMB150,000,000	–	100%	Manufacturing of shoe sole
泉州安踏鞋材有限公司(「泉州鞋材」) Quanzhou ANTA Material Supply Limited (“Quanzhou Material”) (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of shoe sole
泉州市東禕達輕工發展有限公司(「東禕達」) Quanzhou Dongyida Light Industry Development Co., Limited (“Dongyida”) (Notes (ii) and (iii))	PRC	RMB3,938,200	–	100%	Manufacturing of shoe sole
全鋒(福建)鞋材有限公司(「全鋒」) Chenfeng (Fujian) Material Supply Co., Limited (“Chenfeng”) (Notes (ii) and (iii))	PRC	RMB49,626,900	–	100%	Manufacturing of shoe sole
上海安踏實業有限公司(「上海安踏實業」) Shanghai ANTA Industrial Co., Limited (“Shanghai ANTA Industrial”) (Notes (ii) and (iii))	PRC	RMB240,000,000	–	100%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Indirect	Principal activities
廈門安踏服飾有限公司(「安踏服飾」) Xiamen ANTA Style Co., Limited ("ANTA Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
廈門斐越信息技術有限公司(「廈門斐越」) Xiamen Feiyue Information Technology Limited ("Xiamen Feiyue") (Notes (i) and (iii))	PRC	RMB10,000,000	–	100%	Information technology service
斐樂服飾有限公司 (「斐樂服飾」) Fila Style Co., Ltd. ("Fila Style") (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
Fila Marketing (Hong Kong) Limited ("Fila Marketing")	Hong Kong	HK$79,800,000	–	100%	Retailing of sporting goods
Fila (Macao) Limited ("Fila Macao")	Macao	MOP25,000	–	100%	Retailing of sporting goods
Full Prospect Sports Limited ("Full Prospect")	Cayman Islands/Hong Kong	USD100	–	85%	Investment holding
Full Prospect (IP) PTE Ltd ("Full Prospect IP")	Singapore/Hong Kong	USD100,000	–	85%	Trademark holding
Speed Benefit Limited ("Speed Benefit")	Hong Kong	HK$1,000,000	–	85%	Trading of sporting goods
斐樂體育有限公司(「斐樂中國」) Fila PRC Co., Limited ("Fila China") (Notes (i) and (iii))	PRC	USD9,000,000	–	85%	Trading of sporting goods
廈門斐樂體育用品有限公司(「廈門斐樂」) Xiamen Fila Sports Products Limited ("Xiamen Fila") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	85%	Retailing of sporting goods
REEDO International Limited ("REEDO International")	BVI/Hong Kong	USD100	–	85%	Investment holding
SPRANDI Investment Limited ("SPRANDI Investment")	Hong Kong	HK$1	–	85%	Investment holding
REEDO (Hong Kong) Limited ("REEDO Hong Kong")	Hong Kong	HK$100	–	85%	Investment holding
斯潘迪(中國)有限公司(「斯潘迪中國」) SPRANDI (China) Limited ("SPRANDI China") (Notes (i) and (iii))	PRC	RMB30,000,000	–	85%	Trading of sporting goods

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
廈門斯潘迪有限公司(「廈門斯潘迪」) Xiamen SPRANDI Limited ("Xiamen SPRANDI") (Notes (ii) and (iii))	PRC	RMB30,000,000	–	85%	Retailing of sporting goods
Descente China Holding Limited ("Descente Holding")	Cayman Islands	RMB250,000,000	–	60%	Investment holding
Descente China Investment Limited ("Descente Investment")	Hong Kong	RMB1	–	60%	Investment holding
迪桑特(中國)有限公司(「迪桑特中國」) Descente (China) Limited ("Descente China") (Notes (i) and (iii))	PRC	RMB100,000,000	–	60%	Trading and retailing of sporting goods
上海迪知服飾有限公司(「上海迪知」) Shanghai Digi Apparel Co.,Ltd ("Shanghai Digi") (Notes (ii) and (iii))	PRC	RMB20,000,000	–	60%	Retailing of sporting goods
泉州寰球鞋服有限公司(「寰球」) Quanzhou Athletic Shoes & Garments Co., Limited ("Athletic") (Notes (ii) and (iii))	PRC	USD26,260,000	–	55%	Manufacturing and trading of sporting goods
Motive Force Sports Products (Singapore) PTE. LTD. ("Motive Force (Singapore)")	Singapore	SGD500,000	–	100%	Retailing of sporting goods
寧波群鯉服飾有限公司(「寧波群鯉」) Ningbo Qunli Style Co., Ltd. ("Ningbo Qunli") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
上海群鯉服飾有限公司(「上海群鯉」) Shanghai Qunli Style Co., Ltd. ("Shanghai Qunli") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
沈陽安踏實業有限公司(「沈陽安踏實業」) Shenyang ANTA Industrial Limited ("Shenyang ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB40,000,000	–	100%	Retailing of sporting goods
上海斐樂體育發展有限公司(「上海斐樂」) Shanghai Fila Sports Development Co., Ltd. ("Shanghai Fila") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of sporting goods
KOLON SPORT China Holdings Limited ("KOLON SPORT Holdings")	Hong Kong	USD80,000,000	–	50%	Investment holding
KOLON SPORT China (IP) Pte. Ltd. ("KOLON SPORT IP")	Singapore/Hong Kong	USD33,220,000	–	50%	Trademark holding

Name of company	Place of incorporation/ operation	Issued ordinary share/ paid up capital	Attributable equity interest Direct	Indirect	Principal activities
富恩施（北京）貿易有限公司（「富恩施貿易」） FNC Kolon (Beijing) Company Limited ("FNC Company") (Notes (i) and (iii))	PRC	RMB113,829,800	–	50%	Retailing of sporting goods
SKC Group Limited ("SKC Group")	Hong Kong	HK$20,286,500	–	100%	Investment holding and retailing of kid's apparel goods
Profit Dynamic Limited ("Profit Dynamic")	Hong Kong/Taiwan	HK$500,000	–	100%	Retailing of kid's apparel goods
Billion Treasure International Limited ("Billion Treasure International")	Hong Kong	HK$500,000	–	100%	Retailing of kid's apparel goods
Esteemed Elite Holdings Limited ("Esteemed Elite Holdings")	BVI/Hong Kong	USD1	–	100%	Investment holding
SKC (US) Inc. ("SKC US")	United States	USD1,000	–	100%	Retailing of kid's apparel goods
韻利（上海）商業有限公司（「韻利商業」） Yunli (Shanghai) Trading Co., Ltd. ("Yunli Trading") (Notes (i) and (iii))	PRC	HK$11,000,000	–	100%	Retailing of kid's apparel goods
ANTA US CO. LTD ("ANTA US")	United States	–	–	100%	Product design

Notes:

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

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

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

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

GLOSSARY

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

Anda Holdings
Anda Holdings International Limited

Anda Investments
Anda Investments Capital Limited

ANTA
ANTA brand

Anta International
Anta International Group Holdings Limited

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

ANTA Sports/ Company
ANTA Sports Products Limited

ANTA store(s)
ANTA retail store(s)

Board
The Board of Directors of the Company

BVI
The British Virgin Islands

CAGR
Compound annual growth rate

China/PRC
People's Republic of China

COC
Chinese Olympic Committee

CSD
Chinese Sports Delegation

DESCENTE
DESCENTE brand

DESCENTE store(s)
DESCENTE retail store(s)

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

Executive Directors
Executive directors of the Company

FILA
FILA brand

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

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

FILA store(s)
FILA retail store(s)

GDP
Gross Domestic Product

Group
The Company and its subsidiaries

Hong Kong
The Hong Kong Special Administrative Region of the PRC

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

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

HIBOR
Hong Kong Interbank Offered Rate

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

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

MSCI
Morgan Stanley Capital International Global Standard Index

NBA
National Basketball Association

OEM
Original Equipment Manufacturer

POP
Point of purchase advertising

POS
Point of sales

R&D
Research and development

RMB
Renminbi, the lawful currency of the PRC

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

Shareholders
Shareholders of the Company

SPRANDI
SPRANDI brand

US
United States of America

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

Year
The year ended 31 December 2017

Zou Shiming,
A Chinese boxing athlete

Concept and Design - Mens Creation Ltd. www.menscreation.hk
Production and printing – Equity www.equitygroup.com.hk

ANTA

IR.ANTA.COM

DIVIDENDS

The Board recommends the payment of a final dividend of HK41 cents per ordinary share and a special dividend of HK16 cents per ordinary share in respect of the year ended 31 December 2017 subject to the approval of the shareholders at the forthcoming annual general meeting. The proposed final dividend and special dividend will be payable on or about Thursday, 26 April 2018 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Monday, 16 April 2018. In order to qualify for the proposed final dividend and special dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 16 April 2018 for registration.

ANNUAL GENERAL MEETING ("AGM")

The AGM of the Company will be held in Hong Kong on Tuesday, 10 April 2018. Notice of the AGM will be issued and disseminated to shareholders in due course.

BOOK CLOSURE

The transfer books and register of members of the Company will be closed from Wednesday, 4 April 2018, to Tuesday, 10 April 2018, both days inclusive, during which period no transfer of shares will be effect. In order to qualify for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 3 April 2018.

PUBLICATION OF RESULTS ANNOUNCEMENT

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

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

Hong Kong, 27 February 2018

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