ANTA Sports Products Limited

安踏體育用品有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2020)

2020 ANNUAL RESULTS ANNOUNCEMENT

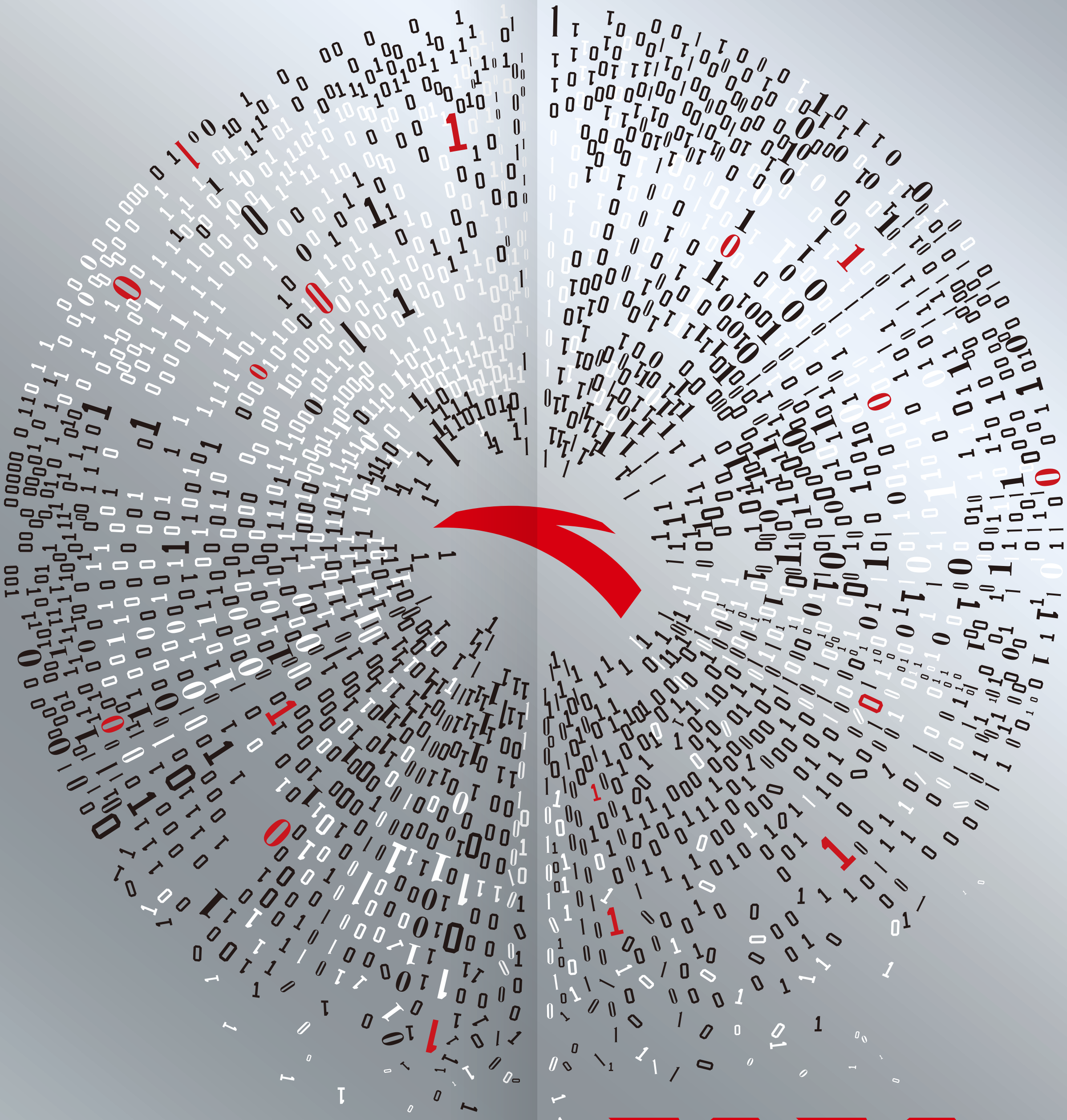
The Board of Directors (the "Board") of ANTA Sports Products Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020. This announcement, containing the full text of the *Annual Report 2020* of the Company, complies with the relevant requirements of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* in relation to information to accompany preliminary announcements of annual results. The printed version of the Company's *Annual Report 2020* will be delivered to the shareholders of the Company and will be available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at ir.anta.com in early April 2021.

REVIEW OF ANNUAL RESULTS

The annual results for the year ended 31 December 2020 have been reviewed by the audit committee of the Company. The Company's consolidated financial statements have been audited by the Company's auditor, KPMG, which has issued an unqualified opinion.

ANTA Sports Products Limited

Incorporated in the Cayman Islands with limited liability



ANNUAL REPORT 2020

STOCK CODE

.hk

ANTA

BEYOND FANTASTIC

THE WORLD OF ANTA SPORTS

INTEGRATING RESOURCES FOR GLOBALIZATION

MISSION

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

VISION

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

CORE VALUES

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

CONTENTS

CORPORATE PROFILE

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

CORPORATE INFORMATION

BOARD

Executive Directors
Ding Shizhong (Chairman)
Ding Shijia (Deputy Chairman)
Lai Shixian
Wu Yonghua
Zheng Jie

Non-Executive Director
Wang Wenmo

Independent Non-Executive Directors
Dai Zhongchuan
Yiu Kin Wah Stephen
Lai Hin Wing Henry Stephen

Company Secretary
Tse Kin Chung

BOARD COMMITTEES

Audit Committee
Yiu Kin Wah Stephen (Chairman)
Dai Zhongchuan
Lai Hin Wing Henry Stephen

Remuneration Committee
Dai Zhongchuan (Chairman)
Lai Hin Wing Henry Stephen
Ding Shizhong

Nomination Committee
Lai Hin Wing Henry Stephen (Chairman)
Yiu Kin Wah Stephen
Lai Shixian

Risk Management Committee
Yiu Kin Wah Stephen (Chairman)
Dai Zhongchuan
Lai Shixian

AUTHORIZED REPRESENTATIVES

Ding Shizhong
Lai Shixian

REGISTERED OFFICE

Cayman Islands Office
Cricket Square, Hutchins Drive,
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HEAD OFFICES IN MAINLAND CHINA

Jinjiang Office
Dongshan Industrial Zone,
Chidian Town, Jinjiang City,
Fujian Province, China
Postal code: 362212

Xiamen Office
No. 99 Jiayi Road, Guanyinshan,
Xiamen, Fujian Province, China
Postal code: 361008

SHARE REGISTRARS AND TRANSFER OFFICES

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

Hong Kong 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

Morgan, Lewis & Bockius

AUDITOR

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

RISK MANAGEMENT AND INTERNAL CONTROL REVIEW ADVISER

KPMG Advisory (China) Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Limited
Industrial Bank Co., Ltd.
Citibank, N.A.
Standard Chartered Bank PLC

GROUP STRUCTURE

Note: AS Holding (and its subsidiaries) is a joint venture of the Group and is not included in the group structure above.

2020 RECOGNITIONS AND AWARDS

Chairman & CEO, Mr. Ding Shizhong:

Was awarded the
"Best IR by Chairman/CEO (Large Cap)"
by Hong Kong Investor Relations Association

Executive Director & CFO, Mr. Lai Shixian:

Was awarded the
"Best IR by CFO (Large Cap)"
by Hong Kong Investor Relations Association

Executive Director, Group President & CEO of the Outdoor Sports Brand Group, Mr. James Zheng:

Was elected as the Co-Chairman of the World Federation of the Sporting Goods Industry, the first-ever Chinese Chairman in 42 years

ANTA Sports:

Was listed in the **"Fortune China 500"** by "Fortune Magazine"

Was awarded the **"Best IR Company (Large Cap)"** by Hong Kong Investor Relations Association

Was named the **"Most Outstanding Company in Hong Kong - Consumer Discretionary Sector"** for the first time in the 2020 Asia's Outstanding Companies by "Asiamoney Magazine"

Was awarded the **"Bronze Award in the Financial Communication Category"** at the PR Awards Asia

Was awarded the **"21st Century China's Best Innovative Business Model"** award in the 21st Century Business Model Award jointly organized by the "21st Century Business Review" and "21st Century Business Herald"

Was awarded the **"2020 Golden Stock Award"** in the Golden Hong Kong Stocks Awards 2020 jointly organized by Zhitongcaijing.com (智通財經) and www.10JQKA.com.cn (同花順財經)

2019 Annual Report “2020 Keep Moving”:

Was awarded the **“Honorary Award”** in the “Annual Report – Print: Sporting Goods” category in the “2020 Galaxy Awards”

ANTA Brand:

Was listed in the **“2020 BrandZ™ Top 100 Most Valuable Chinese Brands”** published by WPP and Kantar

Was listed in the **“Brand Finance Apparel 50 2020”** and **“Brand Finance Global 500”** ranking organized by Brand Finance

Our Investor Relations Department:

Was awarded the **“Certificate for Excellence in Investor Relations”** by IR Magazine Awards Greater China 2020

Was awarded the **“Best IR Team (Large Cap)”** by Hong Kong Investor Relations Association

Was awarded the **“Certificates of Excellence”** in the award category of Capital Markets Communications in SABRE Awards Asia-Pacific 2020

Was awarded the **“Best Investor Relations Project”** at the Third China Excellent IR Award organized by International Road Show Center


克莱·汤普森

Revenue
+4.7%
to RMB
35.5
Billion

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

FINANCIAL OVERVIEW

Year ended 31 December	2020	2019	Change
	(RMB million)	(RMB million)	(%)
Revenue	**35,512**	33,928	↑ 4.7
ANTA	**15,749**	17,450	↓ 9.7
FILA	**17,450**	14,770	↑ 18.1
Gross profit	**20,651**	18,659	↑ 10.7
ANTA	**7,035**	7,201	↓ 2.3
FILA	**12,092**	10,402	↑ 16.2
Profit from operations	**9,152**	8,695	↑ 5.3
ANTA	**4,449**	4,676	↓ 4.9
FILA	**4,494**	4,023	↑ 11.7
Profit for the year	**5,569**	5,624	↓ 1.0
Profit attributable to equity shareholders			
– without the effect of share of loss of a joint venture	**5,763**	5,977	↓ 3.6
– with the effect of share of loss of a joint venture	**5,162**	5,344	↓ 3.4
Free cash inflow	**6,626**	6,433	↑ 3.0
	(RMB cents)	(RMB cents)	(%)
Earnings per share			
– Basic	**191.92**	198.70	↓ 3.4
– Diluted	**189.40**	198.51	↓ 4.6
Shareholders' equity per share	**888.28**	743.23	↑ 19.5
	(HK cents)	(HK cents)	(%)
Dividend per share			
– Interim	**21**	31	
– Final	**47**	36	
	68	67	↑ 1.5
	(%)	(%)	(% point)
Gross profit margin	**58.2**	55.0	↑ 3.2
ANTA	**44.7**	41.3	↑ 3.4
FILA	**69.3**	70.4	↓ 1.1
Operating profit margin	**25.8**	25.6	↑ 0.2
ANTA	**28.2**	26.8	↑ 1.4
FILA	**25.8**	27.2	↓ 1.4
Net profit margin	**15.7**	16.6	↓ 0.9
Margin of profit attributable to equity shareholders			
– without the effect of share of loss of a joint venture	**16.2**	17.6	↓ 1.4
– with the effect of share of loss of a joint venture	**14.5**	15.8	↓ 1.3
Effective tax rate(1)	**29.0**	27.6	↑ 1.4
Advertising and promotional expenses ratio (as a percentage of revenue)	**10.0**	10.6	↓ 0.6
Staff costs ratio (as a percentage of revenue)	**12.5**	11.7	↑ 0.8
R&D costs ratio (as a percentage of revenue)	**2.5**	2.3	↑ 0.2

As at 31 December	2020	2019	Changes
	(%)	(%)	(% point)
Gearing ratio(2)	**27.8**	22.3	↑ 5.5
Return on average total shareholders' equity(3)	**23.4**	29.8	↓ 6.4
Return on average total assets(4)	**11.1**	16.3	↓ 5.2
Average total shareholders' equity to average total assets	**47.4**	54.7	↓ 7.3
	(days)	(days)	(days)
Average inventory turnover days(5)	**122**	87	↑ 35
Average trade receivables turnover days(6)	**39**	34	↑ 5
Average trade payables turnover days(7)	**66**	57	↑ 9

Cautionary Statement Regarding Forward-Looking Statements

This *Annual Report 2020* contains certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Certain statements, that include wordings like "potential", "estimated", "expects", "anticipates", "objective", "intends", "plans", "believes", "estimates", and similar expressions or variations on such expressions may be considered "forward-looking statements".

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

Notes:
(1) Effective tax rate does not include the effect of share of loss of a joint venture.
(2) Gearing ratio is equal to total borrowings divided by the total assets at the end of the relevant year.
(3) Return on average total shareholders' equity is equal to the profit attributable to equity shareholders divided by the average balance of total shareholders' equity.
(4) Return on average total assets is equal to the profit attributable to equity shareholders divided by the average balance of total assets.
(5) Average inventory turnover days is equal to the average balance of inventories divided by the cost of sales and multiplied by the number of days in the relevant year.
(6) Average trade receivables turnover days is equal to the average balance of trade receivables divided by the revenue and multiplied by the number of days in the relevant year.
(7) Average trade payables turnover days is equal to the average balance of trade payables divided by the cost of sales and multiplied by the number of days in the relevant year.
(8) Average balance aforementioned means the average of the balance as at 1 January and the balance as at 31 December of the relevant year.

RESULTS HIGHLIGHTS

FINANCIAL PERFORMANCE

Revenue increased by 4.7% to

RMB 35.5 Billion

Basic earnings per share decreased by 3.4% to

RMB 191.92 Cents

Gross profit margin increased by 3.2% point to

58.2%

Payout of the profit attributable to equity shareholders

30.3%

Profit attributable to equity shareholders decreased by 3.4% to

RMB 5.2 Billion

OPERATIONAL PERFORMANCE

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

157

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

9,922

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

175

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

2,006

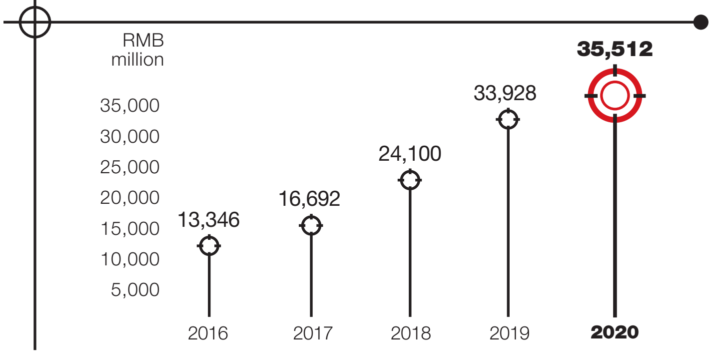
FIVE-YEAR FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
	(RMB million)	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Revenue	**35,512**	33,928	24,100	16,692	13,346
Gross profit	**20,651**	18,659	12,687	8,241	6,459
Profit from operations	**9,152**	8,695	5,700	3,989	3,203
Profit attributable to equity shareholders	**5,162**	5,344	4,103	3,088	2,386
Non-current assets	**19,150**	17,898	5,090	3,632	2,770
Current assets	**32,717**	23,320	19,284	15,442	11,454
Total assets	**51,867**	41,218	24,374	19,074	14,224
Current liabilities	**11,715**	12,412	7,548	4,498	4,273
Net current assets	**21,002**	10,908	11,736	10,944	7,181
Total assets less current liabilities	**40,152**	28,806	16,826	14,576	9,951
Non-current liabilities	**14,328**	7,745	306	216	55
Total liabilities	**26,043**	20,157	7,854	4,714	4,328
Net assets	**25,824**	21,061	16,520	14,360	9,896
Non-controlling interests	**1,811**	979	743	654	347
Shareholders' equity	**24,013**	20,082	15,777	13,706	9,549
	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)	(RMB cents)
Basic earnings per share	**191.92**	198.70	152.82	117.01	95.36
Diluted earnings per share	**189.40**	198.51	152.69	116.84	95.16
Shareholders' equity per share	**888.28**	743.23	587.63	510.56	381.57
	(HK cents)	(HK cents)	(HK cents)	(HK cents)	(HK cents)
Dividends per share					
– Interim	**21**	31	50	41	34
– Final	**47**	36	28	41	34
– Special	**–**	–	–	16	8
Total	**68**	67	78	98	76
	(%)	(%)	(%)	(%)	(%)
Gross profit margin	**58.2**	55.0	52.6	49.4	48.4
Operating profit margin	**25.8**	25.6	23.7	23.9	24.0
Margin of profit attributable to equity shareholders	**14.5**	15.8	17.0	18.5	17.9
Effective tax rate(1)	**29.0**	27.6	26.6	26.7	26.2
Advertising and promotional expenses ratio (as a percentage of revenue)	**10.0**	10.6	12.1	10.6	11.4
Staff costs ratio (as a percentage of revenue)	**12.5**	11.7	10.9	12.0	11.3
R&D costs ratio (as a percentage of revenue)	**2.5**	2.3	2.5	2.9	2.6
Gearing ratio(1)	**27.8**	22.3	7.3	0.8	10.8
Return on average total shareholders' equity(1)	**23.4**	29.8	27.8	26.6	26.3
Return on average total assets(1)	**11.1**	16.3	18.9	18.5	17.9
Average total shareholders' equity to average total assets	**47.4**	54.7	67.9	69.8	67.8
	(days)	(days)	(days)	(days)	(days)
Average inventory turnover days(1)	**122**	87	81	75	61
Average trade receivables turnover days(1)	**39**	34	35	41	39
Average trade payables turnover days(1)	**66**	57	52	51	44

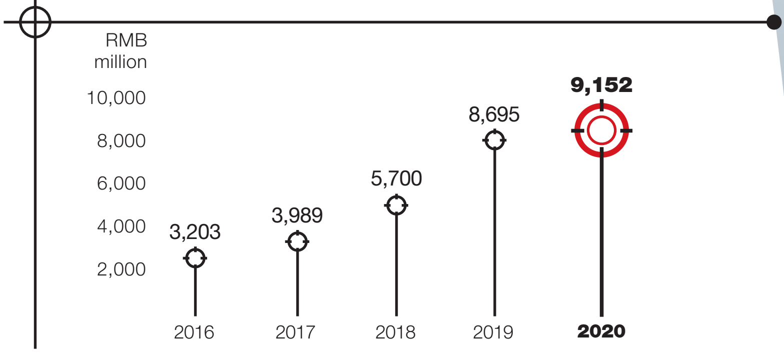
Notes:

(1) *Please refer to notes on page 10 of the annual report for the definitions of effective tax rate, gearing ratio, return on average total shareholders' equity, return on average total assets, average inventory turnover days, average trade receivables turnover days and average trade payables turnover days.*

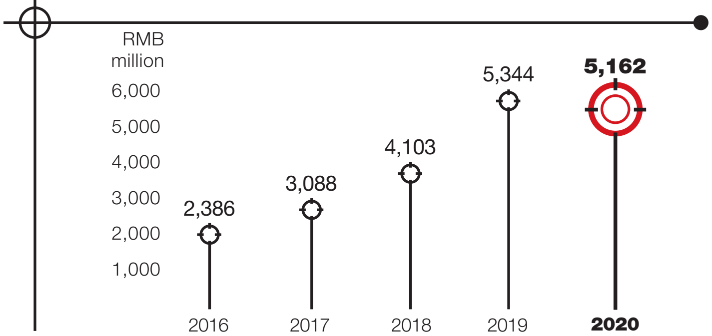
REVENUE



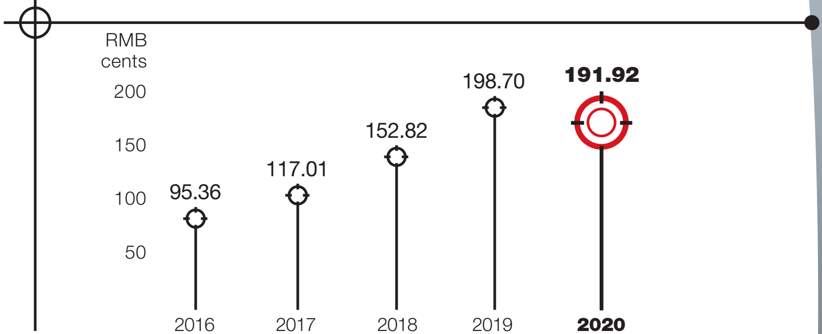
PROFIT FROM OPERATIONS



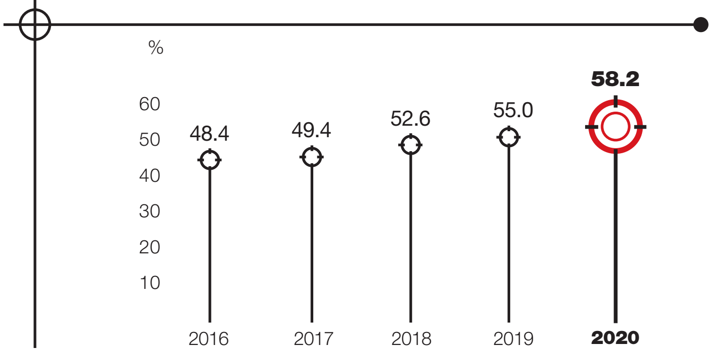
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



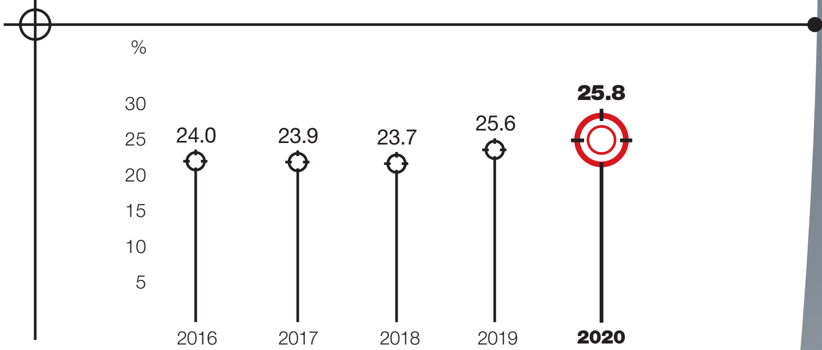
BASIC EARNINGS PER SHARE



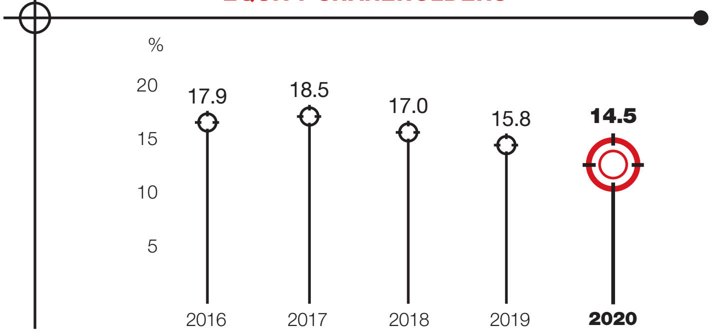
GROSS PROFIT MARGIN



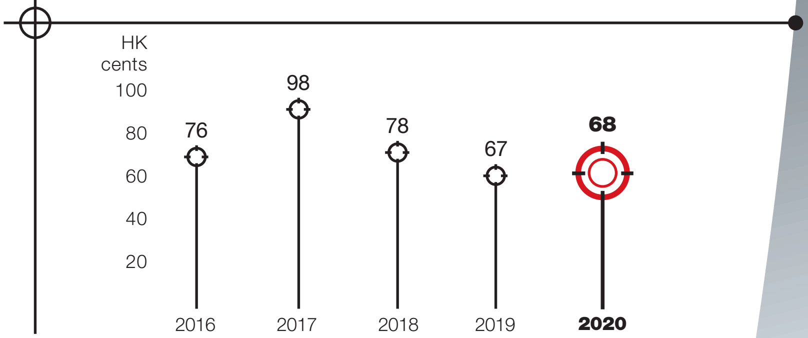
OPERATING PROFIT MARGIN



MARGIN OF PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS



TOTAL DIVIDENDS PER ORDINARY SHARE



(2) *As a result of the adoption of IFRS/HKFRS 16, Leases, with effect from 1 January 2019, the Group has changed its accounting policies in respect of the lessee accounting model. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to recognize right-of-use assets and lease liabilities as at 1 January 2019. After initial recognition of these assets and liabilities, the Group as a lessee is required to recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Figures in years earlier than 2019 are stated in accordance with the policies applicable in those years.*

2020 MILESTONE

JANUARY

Mr. James Zheng was elected as the Co-Chairman of the World Federation of the Sporting Goods Industry

Mr. James Zheng, Executive Director, Group President & CEO of the Outdoor Sports Brand Group, was elected as the Co-Chairman of the World Federation of the Sporting Goods Industry, the first-ever Chinese Chairman in 42 years. Through this opportunity, Mr. Zheng hoped to work with different stakeholders, to promote the popularization of healthy sports lifestyle and strengthen the sustainable development of the industry.

ANTA Sports Made Great Effort to Combat Pandemic Across Different Channels

In the worst period of the Pandemic outbreak, we donated winter outfits and relevant supplies to China Charity Federation. Meanwhile, we also established the "ANTA Group's Pandemic Prevention and Emergency Management Command Team" during the crisis to closely monitor the frontline conditions, as well as to ensure all was being done to support the prevention and protection work of staff.

JUNE

ANTA Launched its Recyclable Green Shoes Product

ANTA launched its first recyclable shoe model, "Dominance running shoes". Some of the materials used were made of recyclable or degradable substances, which helped minimize waste and optimize resource allocation.

JULY

ANTA Sports Celebrated the Third Year of the "Sturdy Growth Charity Project"

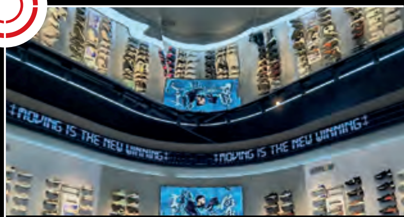
"Sturdy Growth Charity Project", established in conjunction with the China Youth Development Foundation and the Shanghai ADream Foundation, entered its third year. Over the past three years, the project set up a special foundation covering three core areas, including building the "ADream Centers", providing the "ANTA ADream Sports Courses" and donating sports equipment. These projects continually donated cash and equipment to help teenagers in underdeveloped regions to build a stronger physique and improve intellectual wellbeing.

JULY

ANTA Launched a Licensed Collection of National Flag-themed Sportswear

ANTA launched a licensed collection of national flag-themed sportswear for the Beijing 2022 Olympic and Paralympic Winter Games with the Beijing Winter Olympics Organizing Committee in Shanghai. The aim was to promote the Olympic spirit, and encourage the general public to participate in a healthier lifestyle, in order to create a healthy, happy and beautiful life.

AUGUST



ANTA Sports Launched DTC model and Rolled out Digitalization Strategy

We enhanced investment in our DTC models , with the aim to enhance our brands accessibility to consumers. We believe that the DTC model and digitalization strategy would be helpful in optimizing resources through the dimensions of "Customers, Products and Channels", which compiled a more effective information flow that connected production to the consumers in the value chain, allowing us to be more sensitive to the changes in demand and produce high quality products.

AUGUST

ANTA Sports Entered into Global Strategic Partnership Agreement with WWF

We became a global strategic partner of the WWF in China's sports textiles industry. With the aid of the global resources of the WWF, we would join hands with upstream and downstream partners to drive industry transformation in terms of water management and the use of packaging materials so as to reduce pressure on resources and the environment.

FILA Continued its Partnership with Various Parties for Crossover Products

After the successful collaboration of FILA X 3.1 Phillip Lim, FILA cooperated with Mihara Yasuhiro, a renowned Japanese designer, to introduce FILA x MAISON MIHARA YASUHIRO crossover series. FILA also partnered with Wilson, a brand under Amer Sports, to launch the FILA x Wilson series. Moreover, FILA FUSION launched the series of FILA FUSION X WHITE MOUNTAINEERING, which received overwhelming response from the market.

SEPTEMBER

ANTA Revealed New KT6 Shoes

ANTA launched the KT6 Shoes which were made according to the theme of "High Mountains and Flowing Water". Modelling on Klay Thompson's flexible and smooth offensive movement as well as stable and efficient defense, the shoes expressed the idea of modern Asian aesthetic of "Mountains have power and water is invisible".

OCTOBER

DESCENTE Launched its First Concept Store in China

The first DESCENTE BLANC concept store in China was opened in Beijing, presenting a design concept store and exhibition space for consumers, while delivering the pioneering spirit of the brand.

NOVEMBER

ANTA Sports was Selected as Hang Seng Index Constituent, Formally becoming "Blue-chip Stock"

ANTA Sports was selected as one of the constituents of the Hang Seng Index by the Hang Seng Indexes Company Limited, effective from 7 December 2020. We were selected as one of the constituents of the Hang Seng China Enterprise Index earlier in May 2019. We were once again honored to be categorized as a "Blue-chip Stock" and was the only Chinese sportswear company among the Hang Seng Index constituents.

DECEMBER

ANTA Launched its Long-term Development Plan of "Creating Running Power for China"

ANTA takes "Creating Running Power for China" as its long-term development goal and strives to enhance the brand's technological innovation capabilities. Leveraging on ANTA's professional R&D capabilities and analyzing over 100 million user data from China's leading sports

APP Codoon as the starting point for R&D, ANTA during the financial year launched its brand-new "A-tr∞n" running shoe series.

Gross Profit
+10.7%
to RMB
20.7
Billion

Gross
Profit Margin
58.2%

Huang Jingyu,
A renowned Chinese actor

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our annual results for the year ended 31 December 2020.

TURN CRISIS INTO OPPORTUNITIES TO ACHIEVE “HIGH-QUALITY GROWTH”

The year 2020 has been anything but extraordinary. As the Pandemic spread around the world, it had an unprecedented impact on the global economy. Industry depressions happened all over the world, and the international political and economic situation were turbulent. Although vaccines in various countries have been launched one after another, the Pandemic situation remained complicated. Many metrics indicated that despite the impact of the Pandemic, China's economy has gradually returned to normal, and the long-term fundamentals of its economy remained intact.

The Pandemic not only has brought short-term impact to everyone, but it has also completely changed the way we live. Apart from the strict quarantine and social distancing measures, people also have higher awareness for healthy lifestyle. As a result, people have developed good habit of health consciousness and doing more exercise, creating new opportunities for the sportswear industry around the world. Hence, the sportswear industry has been more resilient to the Pandemic than the rest of the apparel industry. Facing the changing macro-environment, enterprises must learn how to live with the uncertainties. As a leader in the global sportswear industry, ANTA Sports firmly upholds the philosophy of long-termism, the perseverance to our mission and vision, the focus on “Consumer-oriented” strategy, the delivery of “High-quality Growth” and the culture of “Benchmarking with High Standards”, to become a respectable world-class, multi-brand sportswear group. Under the Pandemic, we overcame numerous difficulties while maintaining the strategy of "Long-term Preparation", "Dynamic Management", "Reconstruction of Mind", as well as "Optimizing Standards". We will continue with our "Keep Moving" spirit to accelerate the reforms to achieve “High-quality Growth”.

Despite the impact of the Pandemic, we won the must-win battles with the help of a clear strategic direction. During the financial year, our overall revenue and operating profit all recorded positive growth, reaching a new record high since listing. During the financial year, our revenue increased by 4.7% to RMB35.5 billion (2019: RMB33.9 billion). Among them, revenue from ANTA segment decreased by 9.7% to RMB15.7 billion, while FILA segment maintained its growth, with revenue increasing by 18.1% to RMB17.5 billion. The new brand incubation model became more mature, and all other brands’ revenue increased by 35.4% to RMB2.3 billion. Meanwhile, the overall profit from operations increased by 5.3% to RMB9.2 billion (2019: RMB8.7 billion). On a consolidated basis, without the effect of share of loss of a joint venture, the profit attributable to equity shareholders decreased by 3.6% to RMB5.8 billion (2019: RMB6.0 billion). On a consolidated basis, with the effect of share of loss of a joint venture, the profit attributable to equity shareholders decreased by 3.4% to RMB5.2 billion (2019: RMB5.3 billion).

On the margin side, the overall gross profit margin increased to 58.2% (2019: 55.0%) and the overall operating profit margin increased to 25.8% (2019: 25.6%). Both achieving record high implied our success in retail strategy, high efficiency in cost control and a matured multi-brand business model. On a consolidated basis, without the effect of share of loss of a joint venture, the margin of profit attributable to equity shareholders was 16.2% (2019: 17.6%). On a consolidated basis, with the effect of share of loss of a joint venture, the margin of profit attributable to equity shareholders was 14.5% (2019: 15.8%). For the year ended 31 December 2020, free cash inflow increased by 3.0% to RMB6.6 billion, represents our healthy cash generation capability under the Pandemic. Additionally, our total amount of cash and cash equivalents, fixed deposits held at banks with maturity over three months and pledged deposits has reached RMB20.3 billion. Despite the impact brought by the Pandemic, we still recorded a healthy liquidity and sufficient cash level, showing that we had sufficient risk resistant capacity. The Board has recommended a final dividend of HK47 cents per ordinary share in respect of the financial year, subject to the approval by shareholders of the Company at the forthcoming AGM. The dividend payout ratio was 30.3% of the profit attributable to equity shareholders during the financial year, bringing in stable and healthy returns to our shareholders.

ADHERE TO STRATEGIC THINKING AND FORMED THREE COMPETITIVE GROWTH CURVES

During the financial year, not only have we achieved sustainable financial and operating performance, we have also been selected as a constituent stock of the Hang Seng Index, becoming the only Chinese sportswear company among the constituents of the Hang Seng Index. It was a recognition from the capital market. We adhered to globalized strategic mindset. The strategy of " Single-focus, Multi-brand, Omni-channel" was successful , and our "Multi-brand" matrix could meet the differentiated demands of consumer, achieving "Consumer-oriented". The incubation model of new brands was more mature and formed three competitive growth curves as our growth model. The first curve was the cornerstone growth curve, featuring ANTA as the core with a focus on "Mass, Professional, New National Products"; the second curve was the high-quality, high-growth curve, featuring the elegant FILA brand as the core; the third curve is the high potential growth curve, featuring the international outdoor brands such as DESCENTE as the core. In the future, each brand will develop the business based on various phases of its respective growth curve to drive the sustainability of ANTA Sports.

"Benchmarking with High Standards" was our culture, which was also our strategy and weapon to maintain our market competitiveness. No matter what brand we work with or what position we are in, we must push our limits to the highest standards. We also constantly review internal problems and dare to make changes, and always push for reforms and upgrades pragmatically. We continuously work on developing our brands to become bigger and stronger to compete against our global peers.

OPTIMIZE CORE COMPETITIVENESS, UPGRADE GLOBAL MANAGEMENT CAPABILITIES

The post-pandemic era changed our consumption habits, which created challenges and opportunities in the consumer market. Enterprises must redefine the concept of "Customers, Products and Channels" to keep their long-term competitive edges. However, the "Consumer-oriented" approach remains the only core element that will never change amid such reforms. Consumers expect to enjoy better consumption experiences, and by integrating online and offline channels we can create a faster and more convenient experience and service to the consumers. Meanwhile, the Pandemic has made e-commerce more important and formed a new consumption trend. We have been investing in online platforms and social media to enhance our presence in online business. During the financial year, the revenue from e-commerce business increased by 53% as compared to 2019 in terms of absolute amount, representing our effective online strategy. In spite of the transformation of the importance among the distribution channels, the consumer-centric approach remains the only core elements that will never change. Consumer-centric effectively helps our brands enhance connections and interactions with every consumer group, gradually becoming the most desirable sportswear brands among consumers. During the financial year, we also increased investment in DTC model for ANTA. We have optimized our resources through the dimensions of "Customers, Products and Channels", which compiles a more effective information flow that connects production to the consumers in the value chain, allowing us to be more sensitive to the changes in demand and produce high-quality products meeting customer needs. At the same time, through a more streamlined channel structure, we can deliver quality products to consumers in a more convenient and efficient way, with lower channel costs.

Excellent Chinese companies should come with core capabilities including cultural and brand confidence, as well as world-class innovation. We continue to improve on our products quality, retail efficiency and brand equity by continuously launching competitive and technologically advanced products with innovative marketing campaigns. We believe that digital transformation is the key to outperform in the future competition. Hence, we aim to become a sportswear group with strong digitalization capability. With the well-planned digital strategy, we are confident of achieving "High-quality Growth" and becoming a successful global enterprise.

MISSION DRIVEN, 30+ BEYOND FANTASTIC

We are not satisfied in just being a leading brand in China, but we also strive to become a world-class brand. During the financial year, we have strengthened our international presence and deepened our international cooperation. We also work together to promote the Olympic spirit in encouraging people to fight against the Pandemic with positive attitude and the Beijing 2022 Olympic and Paralympic Winter Games will spur the consumption demands of winter sports. In addition, we have closely worked with investors of the consortium and the management of Amer Sports since the beginning of the Pandemic outbreak to pave its way to recovery. The consortium have finetuned and optimized the organizational structure of Amer Sports to solidify its fundamentals. We are confident that the accelerated integration of the global sports industry will help leading brands to gain bigger market share.

The year 2021 is the 30th anniversary of ANTA Sports. The mission, vision, core capabilities, and what kind of social responsibilities should be undertaken in the future are the questions we need to ask and answer for the 30th anniversary. Motivating the company to move towards the goal of sustainable development was our directions in the next 10, 20 years and longer term. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for their continued support, and to express our gratitude to all employees who have contributed to our growth during this difficult period.

Ding Shizhong
Chairman
Hong Kong, 24 March 2021

Victor Ma,
A renowned Chinese singer

Profit from operations
+5.3%
to RMB
9.2
Billion

Operating Profit Margin
25.8%

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

1.1 The global economy remains uncertain after a year of Pandemic

The year 2020 was the one you could never forget as it represented an undeniable inflexion point in human history. People lost their lives to the unexpected outbreak of the Pandemic, it also changed the way we lived and exerted a deep and lasting impact to the entire world. It created uncertainties for the global economy, along with geopolitical tensions.

The Pandemic has devastated the economy in most of the countries. However, China's recovery has been relatively speedy. According to the National Bureau of Statistics of China, China's GDP recorded a 2.3% growth in 2020 while the world continued to struggle with the Pandemic. China's GDP rose by 6.5% in the fourth quarter year-on-year which beat market expectations. Chinese authorities have been trying to expand domestic demand. In 2020, the total retail sales of consumer goods reached RMB 39.2 trillion, which was a decrease of 3.9% over the previous year. The online sales of physical goods became one of the key themes in 2020 with a relatively rapid growth rate of 14.8% to RMB 9.8 trillion. Noticeably, the re-emergence of the Pandemic has increased uncertainty on China's economy, but economists portrayed the latest virus cases' impact on the economy as controllable given China's previous experience last year. As the mass vaccination program starts to deploy, there is a hope that the Chinese economy will grow moderately in the coming years.

The year 2020 should have been an important year to the sports industry. Although the major sporting events had to be suspended due to the Pandemic, we see that the glories and dreams of the sporting spirit are still alive. The preparations for the Beijing 2022 Winter Olympic and Paralympic Winter Games were a high priority for the Chinese government, and the government and the public had given the events tremendous moral and material support.

1.2 Executing "Reconstruction of Mind for High-Quality Growth", and Becoming a "Blue-chip Stock"

No doubt that the Pandemic has reshaped economic and social activities with a remarkable impact, whilst there were also uncertainties in recovery. The Pandemic, for instance, prompted the importance of hygienic issues and encouraged citizen to be more health conscious. The trend should favor the long-term development for sportswear industry. We need to be well-prepared for challenges and opportunities ahead. We adhered to our corporate culture, responded swiftly and proactively, uphold our guidelines of "Long-term Preparation", "Dynamic Management", "Reconstruction of Mind" and "Optimizing Standards", to fulfill our goals of "High-quality Growth", "Consumer-oriented" and "Benchmarking with High Standards".

Our mature and fast incubation capability in the multi-brand portfolio enables us to satisfy the differentiated demands of consumers. We continue to ride on our three business groups to facilitate our multi-brand strategy: Performance Sports Group, Fashion Sports Group, and Outdoor Sports Group. ANTA, ANTA KIDS and SPRANDI are categorized as the Performance Sports Group, while FILA, FILA FUSION and FILA KIDS are categorized as the Fashion Sports Group, DESCENTE and KOLON SPORT belong to Outdoor Sports Group. With our capabilities in multi-brand management, we continued to be "Consumer-oriented" and committed to achieving "High-quality Growth".

Regardless of how the Pandemic develops, the consumer experience is of utmost importance for us. During the financial year, E-commerce is the key driver for sales performance and offset the offline store traffic decline amid the Pandemic. We launched a brand-new online workout campaign to interact with customers by leveraging our brand endorsers and endorsed athletes to record short videos to promote home workout. We believe the integration of online and offline business is a major trend. We have therefore enhanced the integration of online and offline channels with synergistic effect. Through the penetration of different market by a number of brands, we uncovered the potential of online sales. We also began to roll out the digital transformation plan. Aiming for enhancing overall working efficiency, we put focus on the website upgrade project of ANTA brand, product intelligence, membership enhancement, and targeted to become a middle-end platform that supported international business through the integration of online and offline business.

On the other hand, the full operation of the logistics centre provides a better solution for our logistics process and supply chain management. The logistics centre provides storage, transportation and express delivery services. Through digitalization of the whole supply chain, technology breakthrough and utilization of new materials, our supply chain can achieve faster product design, development and production, which can empower our brands' development. This also allows us to control inventory more effectively and maintain it at a reasonable level.

During the financial year, we were selected as one of the constituents of the Hang Seng Index, to be categorized as a "blue-chip stock" and was the only Chinese sportswear company among the Hang Seng Index constituents. This reflected the recognition of our business and management by the capital markets. We will uphold our core strategies and enhance our strategic thinking.

1.3 Deepen DTC model transformation

ANTA's business has adopted a wholesale distribution model in China market for more than 20 years and this model has been effective in promoting the ANTA business through a nationwide coverage that fulfilled different local business cultures and consumer preferences. However, as consumer habits are changing rapidly, enterprises need to proactively change and transform. As a result, ANTA initiated the DTC model transformation in 11 regions in China, namely Changchun, Changsha, Chengdu, Chongqing, Guangdong, Kunming, Nanjing, Shanghai, Wuhan, Xian and Zhejiang. Launching a hybrid operation model, around 60% of approximately 3,500 stores in aggregate will be directly operated by us and 40% will be operated by franchisees under the new operating standards. As of December 2020, ANTA's DTC model transformation has developed smoothly, and it is expected to complete ahead of schedule in 2021.

In essence, the focus of the DTC transformation is facing consumers directly, aligning "Customers, Products and Channels", and creating value for consumers in a more effective way. The DTC model allows direct retail stores to replenish and redirect inventories from the logistics center directly with greater synergy. Meanwhile, by utilizing big data analysis provided by the existing digital platform, we can analyze real-time operation data of all stores nationwide, achieving flexibility in inventory distribution among direct retail stores. The DTC business model also emphasizes creating and maintaining membership system. Through identifying key business processes, we can formulate differentiated membership operating strategy, and provide personalized service for members.

Meanwhile, the DTC model can quickly unify operating standards at the store level regarding customer experience, products, channels, etc., allowing easier setup of a digital operating system, and improving decision making on product planning, product screening and delivery. It can also improve product turnover efficiency and aims for maximizing retail sales value with a minimum amount of inventory and achieving seamless integration of online and offline businesses.

1.4 United as one to combat the Pandemic

In 2020, the outbreak of Pandemic was unpredictable and it rapidly spread to many countries around the world, seriously impacting the global economy and the growth of consumption. In light of facing severe situation, we have reviewed the situation and adopted comprehensive measures amid the impact and challenges of the Pandemic.

Our employees are our top priority. Since the outbreak of the Pandemic, we implemented the "Work from Home" policies on office staff and "Work Delays" policies on factory staff, respectively. These policies has inevitably disrupted the operation and production schedule. Although the Pandemic situation is believed to be under control in China, especially with the mass vaccination programs in place, we expect there will be prolonged impact to our business performances given a profound influence on the consumption habits. Therefore, we need to closely monitor the situations and be well prepared for any uncertainties in the near future.

To combat the Pandemic we analyzed the situation and undertook comprehensive and effective measures to mitigate the risk caused by the Pandemic. Meanwhile, we established the "ANTA Group's Pandemic Prevention and Emergency Management Command Team" immediately after the outbreak of the Pandemic to closely monitor the frontline conditions, as well as to ensure all was being done to support the prevention and protection work of our employees. To manage the financial and operational risk, we implemented a series of measures for Pandemic prevention and control, including “Broadening the Sources of Income” and “Controlling on Expenditure”.

In terms of “Broadening the Sources of Income”, we accelerated the development of our e-commerce platform given some of our offline stores were temporarily closed due to the Pandemic. We utilized “All-Staff Retail” system, easing the pressure on offline store and inventory under the Pandemic. 2020 is the booming year for live streaming in China. We have strived to develop our “Live-streaming + E-commerce” marketing model to boost online sales, providing different experiences for consumers. Our different brands can share resources on the integrated e-commerce platform, which is helpful for exploring full channel operation and integration.

In terms of “Controlling on Expenditure”, we have reduced the operational costs through dynamic management and optimized work procedures. Second, we adopted measures such as cancelling trade fair pre-orders from distributors and repurchasing inventory to strictly control risks. Third, all the brands and its distributors worked together, to negotiate with the landlords in reducing the rental cost of retail platforms.

Being one of the leading sportswear companies, we were committed to fulfilling our corporate social responsibilities. We donated winter outfits and relevant supplies to China Charity Federation, in order to support the actions on our frontline medical workers to conquer the Pandemic.


MALL
In-store Shopping
Brand Management
Outlet
ANTA
Online Shopping
Credit Card
Feedback
E-Commerce
BIG DATA
Consumer Support
ANTA


Organization Structure
Digitalization
Product Management
Supply Chain Management
Logistics
ANTA

Full Coverage

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

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

ANTA KIDS
Kid's sportswear

FILA
Fashion sports clothing

FILA KIDS
Kid's fashion sports clothing

FILA FUSION
Youth's trendy clothing

DESCENTE
Performance sportswear for skiing, cross-training and running

KOLON SPORT
Outdoor sportswear products

BUSINESS REVIEW

2. Brand Management

2.1 ANTA

As a leading sportswear brand in China, ANTA has always been committed to providing the mass market with functional, "Value-for-money" sportswear products across a diverse range of sporting categories, from popular sports to professional and niche sports, including running, cross-training, basketball, etc. In recent years, ANTA's brand position has evolved from "Value-for-money" to "Extreme Value", and set a new formula for "Extreme value", which becomes ANTA's product guideline: extreme value = (technology + outlook + story)/reasonable price.

During the financial year, ANTA continued to support for Chinese athletes including Wu Dajing, Zhang Jike, Eileen Gu, etc. As the official sportswear partner of the COC, we sponsored 22 Chinese national teams in winter sports, boxing, taekwondo, gymnastics, weightlifting, wrestling, etc. In January 2020, the research laboratory for the Beijing 2022 Olympic and Paralympic Winter Games was officially opened. The opening of the laboratory led the preparation for the Winter Olympics staff uniform to the next level. ANTA collaborated with the Beijing Institute of Fashion Technology to improve the product

performance, and ensured that we will provide comprehensive and reliable uniform and equipment support for the Beijing 2022 Olympic and Paralympic Winter Games.

Apart from the provision of official sportswear for Chinese athletes, ANTA during the financial year launched a licensed collection of national flag-themed sportswear for the Beijing 2022 Olympic and Paralympic Winter Games with the Beijing Winter Olympics Organizing Committee in Shanghai. This series of products attracted many first-time customers for ANTA. In September, to celebrate 500-days count down to the 2022 Beijing Olympic and Paralympic Winter Games, ANTA Winter Olympic Showcase Centre was opened in Beijing to demonstrate winter sports culture to the general public. In addition to promoting the Olympic spirit and Winter Olympics, as well as the national development and invigorating a sense of national spirit, the collection combined performance sports with fashion sports. Its cultural, spiritual, technological and functional elements have been making resonance with consumers.

ANTA continues to focus on its position as a mass market brand with professional and functional sportswear products. During the financial year, "ANTA Running" launched its long-term strategy "Born from Runners, Evolving with Runners", echoing the trend we see over the past few years among the general public which was a desire for a sporty, healthier lifestyle. It showcased ANTA's effort in technological innovation in the professional running sector. ANTA collaborated with China's leading sports APP "Codoon" and launched a brand-new series of "A-TR∞N" running shoes. The partnership with "Codoon" demonstrated the brand's determination to strengthen technological innovation, aiming to gain insight into runners' needs and enhance runners' experience utilizing data analysis insight for R&D.

ANTA upgraded its Hydrogen Running Shoes to version 2.0, by equipping them with FLASHLITE 2.0 ANTA Hydrogen Technology. Hydrogen Running Shoes 2.0 are extremely light weight and the sole comes with additional non-slippery rubber for improved traction, which effectively extended the life of the running shoes. Also, the weight of ANTA's new ultra-light air windbreaker was just 29.8 grams. The product was made of ultra-light nylon fiber, which had excellent waterproof and breathability. ANTA also launched another running shoes, C37, and its retail price was below RMB 300, which matched with consumers' demands for innovative technology and value-for-money. In addition, ANTA launched its first recyclable shoe model, "Dominance running shoes". Some of the materials used were made of recyclable or degradable substances, which helped minimize waste and optimize resource allocation.

Moreover, ANTA launched the ANTA NASA A-CORE crossover running shoes. Using a new generation of A-FLASHFOAM material, the cushioning was better for running. Other sports footwear included ANTA Sprite Series, ANTA National Tide Series in Tribute to Li Bai, the Dragon Ball Superseries, Jason Freeny x ANTA Running series, ANTA NEST with Salehe Bembury, an internationally famous shoe designer. With the main theme of "Play", the nest technology of the ANTA NEST series was inspired by bird nest, it represented strength, rebound, protection and comfort. In addition, ANTA A-Flame sports jacket were launched during the financial year. The elastic fabric of the jacket kept the body warm, allowing customer to enjoy the joy of winter sports under cold weather. They were also popular among consumers and have been sold exceptionally well.

ANTA continued to cooperate with professional basketball players, including Klay Thompson and Gordan Hayward. During the financial year, ANTA launched KT5 and KT6, the new additions to Klay Thompson's KT series. KT6 basketball shoes were made according to the theme of "High Mountains and Flowing Water". Based on Klay Thompson's flexible and smooth offensive movement as well as stable and efficient defense, it expressed the idea of modern Asian aesthetic of "Mountains have power and water is invisible". On the other hand, ANTA held the "Shock the Game Basketball Tournament" in several cities including Guangzhou, Nanjing and Shanghai, in which professional basketball players were invited to participate in basketball competitions. During the financial year, ANTA refined the standards for store opening in various channels to improve the quality of distribution channels. We also launched the 10th generation store with a new brand image.


HAYWARD
GO HARD
ANTA
戈登·海沃德
第2代签名战靴

2.2 ANTA KIDS

ANTA KIDS has been committed to providing sportswear products for children aged one to 14 in the mass market, a segment of sportswear market in China that continues to show potential for high growth. ANTA KIDS enjoyed the advantage of being an "Early-entry Trailblazer". The brand consistently promoted its philosophy of "Grow Up with Fun" and has been aiming to incorporate more of a "Fun" element in the kids' growing journey through an integrated experience.

Riding on the shared sports science laboratory of ANTA adult series, as well as in-depth research into children's sports habits as well as their growth characteristics, ANTA KIDS launched functional product series in basketball, soccer, running, dancing, outdoor, etc., and used advanced technologies like fast-drying, windproof and waterproof, light and heat absorption and warmth retention technology to make products that fulfill needs of kids in different settings. In March, the famous mixed-race child model, Ella Gross, officially became the

new generation of ANTA KIDS' endorsers, along with Zhang Yuexuan (Tian Tian) and Fu Tianzong, the champion of World Young Street Dance Championship. They continued to encourage children to release their "Fun" energy and lead the future.

Echoing adult series, ANTA KIDS' licensed collection of national flag-themed sportswear made their debut in Shanghai, showcasing the sports concept of "Growing Endlessly" and spreading the Olympic spirit. ANTA KIDS also launched another outdoor jacket series with anti-lost system. The jacket was connected with parents' mobile phone through Bluetooth, and an alert would be sent to parents' mobile phone from the chip inside the jacket when the child was a certain distance away from their parents.

During the financial year, ANTA KIDS has been enriching its product portfolio with the launch of crossover products and collaboration, including the ANTA KIDS and Marvel crossover series as well as Frozen crossover series. In November, ANTA KIDS launched the heat technology series, a crossover collaboration with China Aerospace.

Moreover, ANTA KIDS made precise marketing campaigns along with its long-term and short-term strategies. It utilized major social platforms, by launching information sharing classes to interact with parents and children. Leveraging to the popularity of China's first Mars mission, "Tianwen-1", ANTA KIDS launched the product promotion strategy of "Strong Leverage + Strong Connection". The UFO 2.0 running shoes was launched and had been successfully differentiated from its peers, further solidifying the leading position of ANTA KIDS in the kids sportswear industry in China.

2.3 FILA, FILA KIDS and FILA FUSION

Since acquiring FILA's China business in 2009, we have actively expanded the brand in Mainland China, Hong Kong, Macao and Singapore. FILA is positioned as a high-end sports fashion brand that, together with FILA KIDS and FILA FUSION, targets high-end customers from different age groups.

FILA has become a cornerstone of the Chinese fashion sportswear market, accompanied by its top celebrity endorsers, Gao Yuanyuan, Huang Jingyu, Wu Jinyan and Kōki, as well as Cai Xukun, who joined the brand during the financial year. Apart from celebrities, FILA also worked with KOLs and fashion bloggers on marketing campaigns, such as arranging a livestreaming sports class, "Breathable Sports" with celebrity Carman Lee and run livestreaming events during the Pandemic. These events not only drove sales of products, but also enhanced brand awareness.

While FILA continued to expand its popular series, such as FILA WHITE, FILA ORIGINALE and FILA MODERN HERITAGE, FILA also launched some innovative products to promote the brand and retained its competitiveness on the back of the efforts of its worldwide design team in Hong Kong, Japan, Korea, etc. This allows FILA to provide better products to consumers in terms of quality and stories. Crossover series also continued to be a key element of the brand, with FILA X 3.1 Phillip Lim series and FILA X Maison MIHARA YASUHIRO series rolled out during the financial year. FILA also partnered with Wilson, a brand under Amer Sports, to launch the FILA x Wilson series.

The presence of FILA apparel business in China has increased gradually since we acquired it in 2009. However, we also saw a great potential in its footwear products and have been committed to its R&D. After years of preparation, we have seen a growing popularity of the shoes products in FILA among the Chinese consumers. During the financial year, over 10 millions pairs of shoe products were sold, and we are confident that its footwear products will become one of the growth driver in the future. FILA aims to develop more quality shoe products for customers with better design, function, quality and story. Besides FILA Jagger shoes, FILA launched the FILA ADE XMS running shoes during the Christmas festive season. With the holiday themed colours of red, green and gold, as well as reindeer decoration, the shoes were designed to be a highlight during the festive season.

FILA stores are mainly located in first- and second-tier cities in China, with a focus on shopping malls and department stores. Channel expansion continued cautiously amid the pandemic, including the opening of new flagship stores. Store efficiency was optimized on top of the expansion of product category and consumer age groups. Meanwhile, the constant upgrade of stores provided a brand-new shopping experience and new image to consumers.

The FILA KIDS brand was launched in China in 2015 with the aim to provide high-end apparel and footwear for children aged between three and 15. Inheriting FILA's elegant and unique style, FILA KIDS has become widely popular in the kidswear market. The success of FILA KIDS enables FILA to become a brand that every member in a family can buy. FILA KIDS launched new kidswear collections for different scenarios during the financial year, including the FILA KIDS PERFORMANCE RUNNING and the FILA KIDS SPACE 97 series, which allowed kids to exercise in comfort. The FILA KIDS X ERIC CARLE, a crossover series, was also introduced into the market. The natural blue sky, green grass and the earth inspire children's instinct. We believe that FILA KIDS would maintain its growth momentum and make a significant contribution to FILA's overall sales.

FILA FUSION established its standalone stores in 2017. Japanese model Kōki, as FILA FUSION's Brand Ambassador, marking its proper entry into the market for youths aged between 15 and 25. FILA FUSION was characterized by its style that blends youth, sunshine and trendy sports. Riding on its unique fashion sense, FILA FUSION continues to roll out numerous crossover series with different internationally renowned brands throughout the year, based on their unique styles, those were well received by the market. During the financial year, FILA FUSION launched the FILA FUSION X WHITE MOUNTAINEERING series, which received overwhelming response from the market.

2.4 DESCENTE

Since late 2016, we have exclusively engaged in the design, sale and operation of products bearing the "DESCENTE" trademark in Mainland China. DESCENTE focuses on high-end sportswear products, including skiing, cross-training, running and women's fitness, among others.

With over 80 years of brand history, as well as the design driven sports spirit of "DESIGN THAT MOVES", DESCENTE combined innovative technology with design aesthetics. It swiftly established its functional and professional image in China by utilizing quality materials which formulated the brand's DNA. This DNA not only appeared in all DESCENTE products, but also was rooted in consumers' mind. Targeting professionals and high-end population aged between 30 and 40, our core targeted consumers are those that pursue high-end products. The unique high-tech materials and exquisite craftsmanship were the biggest differentiation between DESCENTE and its peers in the China market.

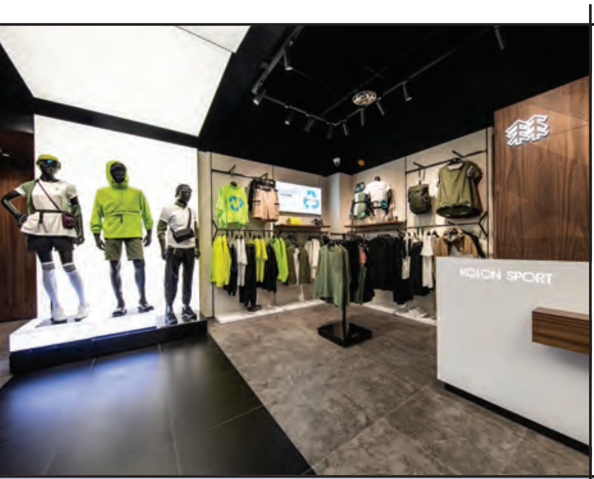
During the financial year, DESCENTE cooperated with internationally renowned movie star Daniel Wu, famous Chinese actress Xin Zhilei and golf athlete Li Haotong to promote various series, including the series of TRAINING, RUNNING, ALLTERRAIN, DUALIS, SKI, etc. DESCENTE also launched a series called the RE:DESCENTE BIRTH, which was made from used clothing, implementing the environmental protection concept of circular economy.

During the financial year, DESCENTE made its breakthrough in its channel distribution. DESCENTE opened DESCENTE BLANC concept store in Beijing - the first concept store of the brand in China. The store's decoration style integrated with minimalist industrial aesthetics, continuing the concept of "DESIGN THAT MOVES". The hanging elevator systems in the store changed the traditional way of displaying, and that reflected simple design concepts. In addition, the concept store provided another contact point to facilitate our customers. DESCENTE will continue to actively expand its retail presence in China's high-end sportswear market.

Meanwhile, DESCENTE is focusing on the fast-growing winter sports market with its pioneering advantages and is striving to seize huge business opportunities in winter sportswear, in order to become one of the most successful sports brands in China before the Beijing 2022 Olympic and Paralympic Winter Games.

2.5 KOLON SPORT

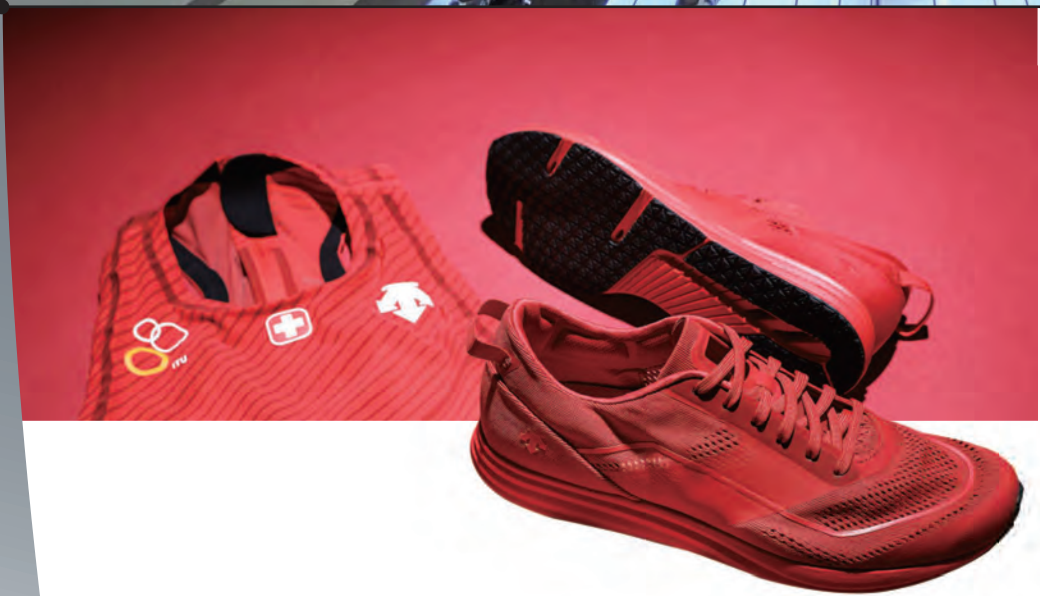
Since it was founded in 1973, KOLON SPORT has been promoting the development of an outdoor lifestyle and became a premium outdoor lifestyle brand. In order to seize opportunities in the outdoor sports market, KOLON SPORT enhanced customer experiences through product innovation and upgrade of its retail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



During the financial year, KOLON SPORT announced that Chen Kun, a renowned Chinese actor, has become the brand endorser. They worked together to interpret the high-end outdoor lifestyle of "YOUR BEST WAY TO NATURE" and encourage the public to step outdoors to enjoy "NATURE" with all their hearts. In October, Chen Kun interacted with consumers through livestreaming to explore the allure of KOLON SPORT.

With the support of KOLON SPORT's in-house design teams, GORE-TEX PACLITE jacket was successfully launched and equipped with water and wind resistant during the financial year. The jacket was lightweight and easy to carry. The newly VOLCANO jacket is a tech-powered jacket, which is adjustable for three different levels of heating and provides additional warmth in cold weather. KOLON SPORT also introduced the first crossover series with Salomon, the SPEEDCROSS 5 GTX hiking shoes, receiving overwhelming responses from the customers. The product breakthrough enhanced our store efficiency as well as the e-commerce performances.

We are confident that with the rise of the middle class and the millennial generation, as well as the rising trend of outdoor sports, KOLON SPORT will expand its footprint in the outdoor sportswear market, creating profitability with sustainable performance.



3. Supply Chain Management

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

In terms of efficiency upgrades, we have carried out strategic transformation and improved management efficiency by creating a digital platform. In particular, we have optimized our supply chain management in order to echo to the O2O model and implement the integration of online and offline inventory. Moreover, we have accelerated the process of product distribution process, reduced operating costs and maximized inventory efficiency, leading to a more effective cost management.

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

We strengthened our supply chain to effectively produce differentiated products. For instance, we revised our measure of performance based on an incentive system, to motivate suppliers to make improvements. Regarding the requirements including health and safety, anti-discrimination and anti-child labor, we created a metric system that integrated suppliers' performance and results. For those suppliers whose performances continually improve, we will encourage and help them to apply for international accreditations. Over the long term, we reward those with high ratings with increased orders, additional resources and assistance.

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

We have strategically combined both inhouse and outsourced production to better respond to market conditions and changes in consumer preferences. To be more flexible in fulfilling replenishment orders and to maintain our cost advantage, we have further optimized the efficiency of our production process. We have applied flexibility to our supply chain, through three major measures, including digitalization, technological breakthroughs and material breakthroughs, and we were able to enhance various aspects such as product design, development and production, as well as effectively control inventory to maintain reasonable inventory levels. During the financial year, ANTA's self-produced footwear and apparel accounted for 27.2% and 12.4% respectively out of our total quantities (2019: 32.2% and 11.4%). FILA's self-produced footwear and apparel accounted for 28.0% and 3.7% out of our total quantities (2019: 32.3% and 2.8%).

4. Product Management

Technological innovation, original design and product safety have been key to our product differentiation. We believe that with our continuous investment in product innovation, we can achieve sustainable and healthy growth of our business. Given the increasing spending power of millennials, we targeted to gain a better understanding of the younger demographics in order to continue our growth in the market. To this end, we set up a science laboratory in Jinjiang, with a design team consisting of talented designers across the world, including the US, Japan, Korea, etc., to enhance the R&D of sportswear products.

We strive to maintain a high quality of production management and quality control systems that are in line with industry standards. In this highly competitive industry, the key to strengthening market share is to design and manufacture comfortable, safe and high-quality sportswear products for consumers. We select our business partners through an extensive set of evaluation criteria - we monitor the operation through regular on-site inspections and performance management, and all our partners are required to acquire certifications in manufacturing and quality management systems, thus attaining ISO international standards. We also look for suppliers who have an established R&D laboratory where we can co-develop new materials for innovative products.

To ensure that our suppliers follow our standards, we provide performance statistics and summary based on the contract period and past performance of suppliers with us. We also developed the "QC Standards Management Measures" to assist our suppliers' sustainable development. By standardizing the training agenda and operational standards of our suppliers, we aim to help them maintain an excellent and stable high-quality production. In response to the increasing demand for environmentally friendly products in the market, we have been strictly adhering to environmental protection-related regulations. We formulated a number of measures to ensure a standard code on design, procurement, production and retail.

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

5. E-commerce

As e-commerce gradually develops into a mature sector in the retail industry, we continuously explore and improve our e-commerce business model. As technology develops, we believe enterprises must transform in a timely manner in order to tap into the increasingly important e-commerce market. The Pandemic has made e-commerce much more important and a new consumption trend has evolved. We have conducted data analysis on consumers, embracing the opportunity that e-commerce brings. During the financial year, the revenue from e-commerce business increased by 53% as compared to 2019, representing our effective online strategy.

During the early stage of the Pandemic, we utilized "All-Staff Retail" system, easing the pressure on offline stores and inventory under the Pandemic. 2020 is the year of booming for live streaming in China. We have strived to develop our "Live-streaming + E-commerce" marketing model to boost online sales, providing different experiences for consumers. During several e-commerce events such as the "6·18" and "Double 11" Shopping Festival, our brands achieved outstanding results in the ranking in various online platforms with new records. In the sportswear sector, ANTA, FILA and DESCENTE reached full coverage across all price levels by utilizing the multi-brand strategy. Blending e-commerce with social media will become a new marketing channel, which transforms viewership on social media platforms into consumer purchasing power. Our outstanding performance came primarily from our data analysis and data-driven marketing, together with very competitive products and constantly innovative marketing strategies, leading to successfully consumer attraction.

While the Pandemic was a challenge, it was also an opportunity for reform. Through unified management of traditional platforms, official websites, mini-programs and offline stores, we optimized the VIP membership program for each brand and implemented precise user mapping, in order to understand their characteristics and provide better services to each of the consumers. In addition, we have also fine-tuned the mix of the exclusive online products and in-season products among various e-commerce channels to optimize the merchandise selection mechanism. Meanwhile, we leveraged our advantages and experiences gained from retail business among various channel to facilitate better cooperation among internal business units and improved operation efficiency. After the reform on our online business, not only did we bridge up online and offline channels and integrated the inventory system between online and offline stores, but we also utilized different social media channels to strengthen our interaction with consumers through a series of marketing campaigns.

6. Human Resources Management

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

As our business is considered as a highly labor-intensive industry, preventing our employees from infections during the Pandemic has never been more important. We have been closely monitoring the latest situations and have established proper disease prevention measures according to the advices from the government and experts. We also provided proper disease prevention equipment to all employees, and established relevant work guidance to ensure all employees were clear about specific areas.

In addition, we offer our frontline employees competitive remuneration than our peers, target to create an understanding and joyful corporate culture, and maintain good communication with the employees. We also provide suitable technical training according to the needs of different positions in order to improve their abilities. We require employees to participate in regular assessments, making sure that they master the required skills. We provide employees with comprehensive benefits and protection, as well as sophisticated training programmes, in order to grant them appropriate opportunities to unleash their talents and full potential within their specific roles. We also value the needs of our employee's family roles and try our best to coordinate and make appropriate arrangements according to their needs. As of 31 December 2020, we had approximately 41,000 employees (2019: 30,800).

7. Internal Management

7.1 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 Group.

7.2 Relationship with Stakeholders

Good corporate governance mechanisms help building stable relationships with our suppliers, distributors, franchisees, customers, shareholders and other stakeholders. Through various communication methods, we collect opinions and advice from stakeholders, which provide considerable benefits to our business improvement. Maintaining relationship 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.

7.3 Our Existing Environmental Protection Measures

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

8. Principal Risks and Uncertainties Facing by the Group

8.1 Exchange Rate Risk

While most of the Group's business is denominated in RMB, offshore business is denominated in foreign currencies, which could create potential problems in terms of foreign exchange payment and receipt issues and affect the relationship between debtors and creditors. Currently, the RMB is a managed floating currency which is adjusted by reference to a basket of global currencies. The conversion ratio of RMB into foreign currency is subject to fluctuations in the market and is driven by events in the global economy and politics. Changes in foreign exchange rates affect the value of the Group's assets, debts, income and expenses which are denominated in foreign currencies, leading to impacts to the Group's financial position and performance.

8.2 Operational Risks

Risks under Intensified Market Competition

Increasingly tensed competition in the sportswear industry is resulted by the expanding scale and continuous concentration of the industry, and the expansion of international clothing brands across China. The nature of this competition has shifted from a focus on quantity and price to new attributes such as state-of-the-art technology and 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 revenue 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 immediately. If our products were counterfeited on a mass scale in the future, the image of our brand and profitability would be at considerable risk.

Production Safety Hazards

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

Risks under Increased Sales Channel Costs

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

Product Development Risks

We focus on the sportswear business to produce functional and fashionable products. Consumer preferences for fabrics and clothing styles change at a rapid pace and our ability to adapt to these preferences will affect the sales performance.

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 led the traditional apparel industry to be 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.

Risks of Cross-region Operation

In different regional markets, various consumer groups' purchasing power and consuming preference are different. Currently, the Group's business locates in multiple areas in China (mainly including the Fujian and Guangdong, East China, Central China, as well as Shandong and Henan) as well as some overseas markets. Moreover, the Group's business is also under fast, steady and healthy development. The cross-region operation and business development brings in higher requirements on the Group's existing organizational model and managerial system. Therefore, possible internal management risks could exist.

Force Majeure Risks

In case of an uncontrollable change of market and external environment, (for instance, a potential natural disaster, an epidemic of category A or category B infectious diseases which impact the province-level regions, as well as political and economic issues in China and foreign countries), the Group cannot obtain sufficient capital from the expected repayment source. This could possibly affect the remitting of sufficient repayment for borrowings on time.

8.3 Management Risk

Managerial Risks of Subsidiaries

Over the years, the Group has conducted strict management and control of its subsidiaries and branch companies in various aspects, including manufacturing, operating, sales, human resources, finance etc. However, the fast development of the Group's business and the continuous expansion of its asset scale bring in higher requirements on the Group's organizational model and managerial system. This has increased the difficulties to a certain degree in terms of the Group's organizational coordination and management of manufacturing and operation. Therefore, possible internal management risks could exist

Risks of Brand Reputation

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

Supplier Management Risks

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

Risks from Talent Shortage and Loss of Talent

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

Risks from Product Transportation Management

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

Eileen Gu,
A Chinese freestyle skiing athlete

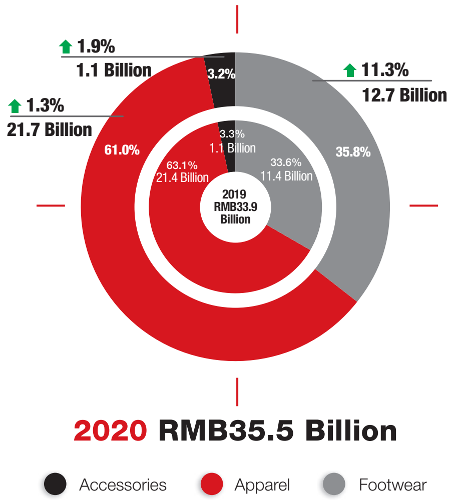
FINANCIAL REVIEW

Revenue

Breakdown by Product Category

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

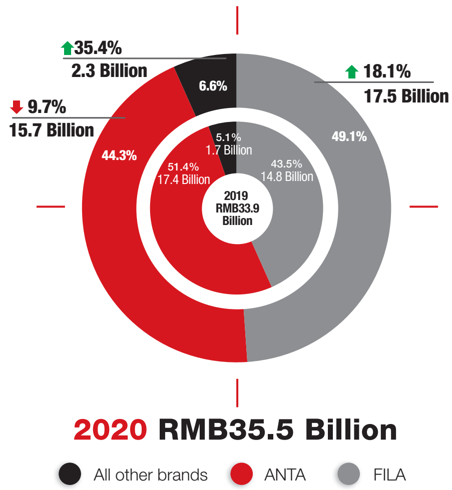
	Year ended 31 December				
	2020		2019		**Changes**
	(RMB million)	**(% of Revenue)**	(RMB million)	(% of Revenue)	(%)
Footwear	**12,700**	**35.8**	11,410	33.6	↑ 11.3
Apparel	**21,671**	**61.0**	21,398	63.1	↑ 1.3
Accessories	**1,141**	**3.2**	1,120	3.3	↑ 1.9
Overall	**35,512**	**100.0**	33,928	100.0	↑ 4.7



Breakdown by Segment

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

	Year ended 31 December				
	2020		2019		**Changes**
	(RMB million)	**(% of Revenue)**	(RMB million)	(% of Revenue)	(%)
ANTA	**15,749**	**44.3**	17,450	51.4	↓ 9.7
FILA	**17,450**	**49.1**	14,770	43.5	↑ 18.1
All other brands	**2,313**	**6.6**	1,708	5.1	↑ 35.4
Overall	**35,512**	**100.0**	33,928	100.0	↑ 4.7



During the financial year, the Group's revenue increased by 4.7% as compared with 2019 to RMB35,512 million (2019: RMB33,928 million).

ANTA segment contributed 44.3% of the overall revenue to the Group. The segment revenue decreased by 9.7% as compared with 2019 to RMB15,749 million (2019: RMB17,450 million). The decrease in ANTA segment revenue was mainly attributed to (i) the proactive wholesale order cancellations due to the Pandemic; and (ii) the sales return of ANTA branded products arising from the adoption of the DTC model for ANTA business in certain regions in Mainland China; while partially offset by (i) the growth of e-commerce; (ii) the increase in retail revenue as a result of adoption of the DTC model; and (iii) the reversal of refund liabilities payable to wholesale distributors as a result of the change of ANTA's business model to the DTC model.

FILA segment also contributed 49.1% of the overall revenue to the Group. The segment revenue increased by 18.1% as compared with 2019 to RMB17,450 million (2019: RMB14,770 million). The growth of FILA segment revenue was mainly attributed to the growth of e-commerce, while partially offset by the impact of temporary store closure during the Pandemic.

Revenue of all other brands increased by 35.4% as compared with 2019 to RMB2,313 million (2019: RMB1,708 million). The increase was driven by the businesses of DESCENTE and KOLON SPORT.

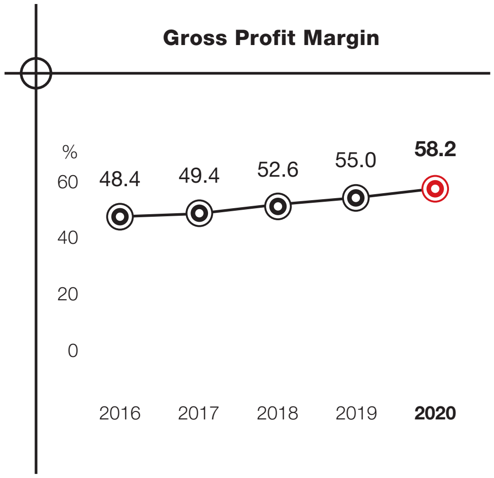
The e-commerce contributed 26% (2019: 18%) of the overall revenue to the Group, and increased by 53% as compared to 2019 in terms of absolute amount.

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				
	2020		2019		**Changes**
	Gross profit (RMB million)	**Gross profit margin (%)**	Gross profit (RMB million)	Gross profit margin (%)	(% point)
Footwear	**6,768**	**53.3**	5,757	50.5	↑ 2.8
Apparel	**13,262**	**61.2**	12,365	57.8	↑ 3.4
Accessories	**621**	**54.4**	537	47.9	↑ 6.5
Overall	**20,651**	**58.2**	18,659	55.0	↑ 3.2



Breakdown by Segment

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

	Year ended 31 December				
	2020		2019		**Changes**
	Gross profit (RMB million)	**Gross profit margin (%)**	Gross profit (RMB million)	Gross profit margin (%)	(% point)
ANTA	**7,035**	**44.7**	7,201	41.3	↑ 3.4
FILA	**12,092**	**69.3**	10,402	70.4	↓ 1.1
All other brands	**1,524**	**65.9**	1,056	61.8	↑ 4.1
Overall	**20,651**	**58.2**	18,659	55.0	↑ 3.2

During the financial year, the Group's overall gross profit margin increased by 3.2% point as compared with 2019 to 58.2% (2019: 55.0%). The increase in overall gross profit margin was mainly due to the increased contribution from FILA segment with relatively higher gross profit margin.

ANTA segment gross profit margin increased by 3.4% point as compared with 2019 to 44.7% (2019: 41.3%). The increase in gross profit margin was mainly attributable to (i) the increased contribution from retail business with relatively higher gross profit margin after the adoption of the DTC model; and (ii) the reversal of refund liabilities payable to wholesale distributors as a result of the change of ANTA's business model to the DTC model; while partially offset by (i) sales return and inventory buyback of certain products, and the subsequent resale at a lower gross profit margin under the wholesale model; and (ii) write-down of inventory under the impact of the Pandemic.

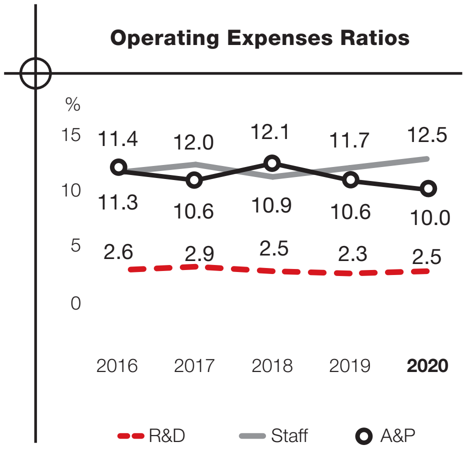
FILA segment gross profit margin decreased by 1.1% point as compared with 2019 to 69.3% (2019: 70.4%). The slight decrease in gross profit margin was mainly attributable to (i) increase in the retail discount through inventory clearance promotional campaign; and (ii) write-down of inventory under the impact of the Pandemic.

Other Net Income

Other net income for the financial year amounted to RMB1,389 million (2019: RMB1,070 million), which mainly comprised of government grants of RMB1,286 million (2019: RMB1,019 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 0.6% point for the financial year mainly due to deferral of advertising and promotional activities (including those for the Olympic Games in Tokyo originally held in 2020) and big store opening and renovation plans as a result of the Pandemic. The ratio of staff costs to revenue increased by 0.8% point due to the fact that (i) overall staff wages was higher than that in the same financial year of 2019, as there was new hiring in the second half of 2019 and early 2020 before the Group implemented temporary suspension in new recruitment and annual salary review in February 2020 under the impact of the Pandemic; and (ii) the cost related to equity settled share-based payment transactions of awarded shares granted in November 2019 under the Group's share award scheme were partly amortized in the financial year. The ratio of R&D costs to revenue increased by 0.2% point due to the fact that the Group continued to enhance its overall R&D capability.



Operating Profit and Operating Profit Margin

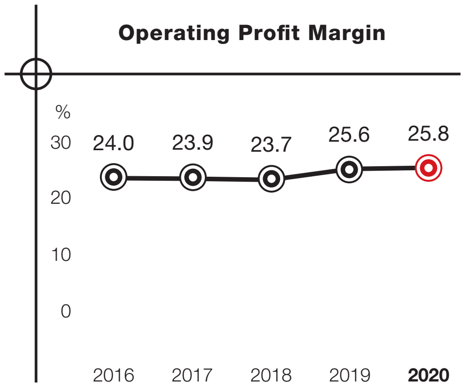
The following table sets out the operating profit/(loss) and operating profit/(loss) margin by segment for the financial year:

	Year ended 31 December				
	2020		2019		Changes
	Operating profit (RMB million)	**Operating profit margin (%)**	Operating profit/(loss) (RMB million)	Operating profit/(loss) margin (%)	(% point)
ANTA	**4,449**	**28.2**	4,676	26.8	⬆ 1.4
FILA	**4,494**	**25.8**	4,023	27.2	⬇ 1.4
All other brands	**195**	**8.4**	(58)	(3.4)	⬆ 11.8
	9,138	**25.7**	8,641	25.5	⬆ 0.2
Gain on disposal of partial interests in a joint venture	**14**	**N/A**	54	N/A	N/A
Overall	**9,152**	**25.8**	8,695	25.6	⬆ 0.2

During the financial year, the Group's overall operating profit margin increased by 0.2% point as compared with 2019 to 25.8% (2019: 25.6%).

ANTA segment operating profit margin increased by 1.4% point as compared with 2019 to 28.2% (2019: 26.8%). The increase in operating profit margin was mainly attributable to the 3.4% point increase in gross profit margin, while partially offset by the increase in ANTA segment's ratio of staff costs to revenue due to the reasons aforementioned.

FILA segment operating profit margin decreased by 1.4% point as compared with 2019 to 25.8% (2019: 27.2%). The decrease in operating margin was mainly attributable to the 1.1% point decrease in gross profit margin.



Net Finance Costs

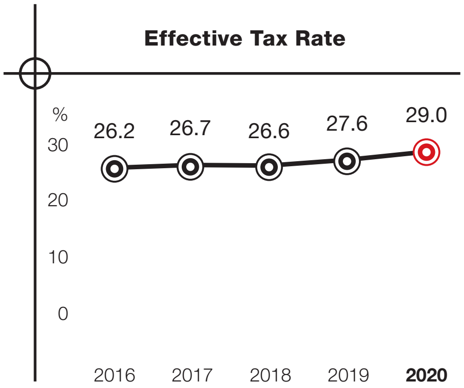
Total interest income for the financial year amounted to RMB271 million (2019: RMB168 million). The increase was mainly driven by the increase in average bank deposits balances as compared with 2019.

Total interest expense (excluding interest expense on lease liabilities) amounted to RMB263 million (2019: RMB188 million) for the financial year. The increase was mainly driven by the effective interest expenses of convertible bonds and medium term notes under applicable financial reporting standards.

Interest expense on lease liabilities under IFRS/HKFRS 16 amounting to RMB144 million was recorded during the financial year (2019: RMB94 million).

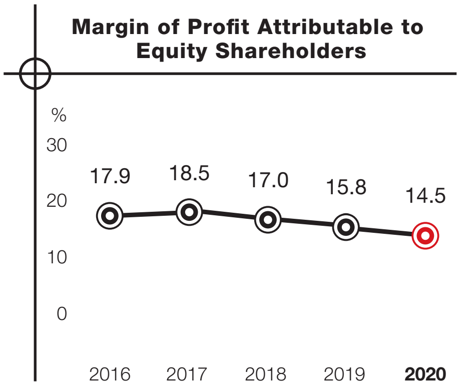
Effective Tax Rate

Effective tax rate (without the effect of share of loss of a joint venture) was 29.0% for the financial year (2019: 27.6%). The increase was mainly due to the increase in non-deductible expenses in relation to interest expenses and net foreign exchange loss arising from offshore items.



Margin of Profit Attributable to Equity Shareholders

Margin of profit attributable to equity shareholders decreased by 1.3% point to 14.5% for the financial year. It was mainly attributable to (i) the 0.2% point increase in operating margin; (ii) the increase in net finance costs and (iii) the increase in effective tax rate.



Write-down of Inventories

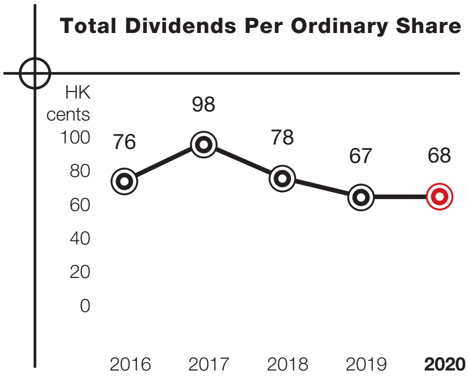
Inventories are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories and charged to profit or loss. During the financial year, write-down of inventories amounting to RMB172 million was charged to profit or loss (2019: RMB34 million). The increase in write-down of inventories was due to the increase in overall inventory level and the decrease in net realizable value of inventories under the Pandemic.

Impairment Loss for Trade Receivables

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses ("ECLs"). ECLs on trade receivables are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions. During the financial year, impairment loss for trade receivables amounting to RMB6 million was charged to profit or loss (2019: reversal of impairment loss for trade receivables amounting to RMB13 million was credited to profit or loss).

Dividends

The Board has recommended a final dividend of HK47 cents per ordinary share in respect of the financial year, together with payment of interim dividend of HK21 cents per ordinary share, representing a total payout of RMB1,563 million (2019: RMB1,667 million), or a distribution of 30.3% (2019: 31.2%) of the current year's profit attributable to equity shareholders. The recommended final dividend is subject to the approval by shareholders of the Company at the forthcoming AGM.



	2020 (RMB million)	2019 (RMB million)
Year ended 31 December		
Operating cash inflow	**7,458**	7,485
Capital expenditures	**(851)**	(1,087)
Others	**19**	35
Free cash inflow	**6,626**	6,433
As at 31 December		
Cash and cash equivalents	**15,323**	8,221
Fixed deposits held at bank with maturity over three months	**5,023**	4,382
Pledged deposits	**1**	4
Less: borrowings		
– Bank loans	**(4,801)**	(8,003)
– Bills payable (financing in nature)	**(1,000)**	(1,200)
– Convertible bonds (liability component)	**(7,610)**	–
– Medium term notes	**(1,013)**	–
Net cash position	**5,923**	3,404

Liquidity and Financial Resources

As at 31 December 2020, the cash and cash equivalents of the Group amounted to RMB15,323 million which were mainly denominated in RMB, HKD, USD and EUR, representing an increase of RMB7,102 million as compared with the cash and cash equivalents of RMB8,221 million as at 31 December 2019. This was mainly attributable to:

- Net cash inflow from operating activities amounted to RMB7,458 million, which was higher than the profit for the year (excluding the effect of share of loss of a joint venture) and represents healthy cash generation capability of the Group under the Pandemic.

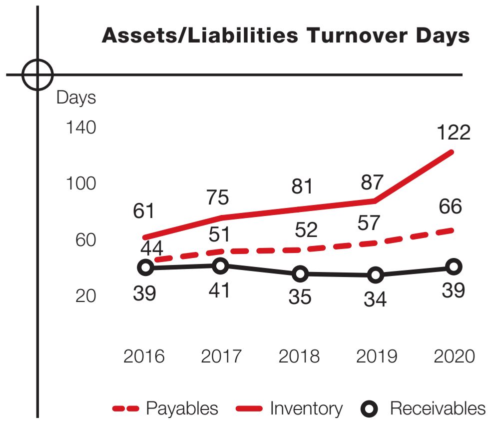
- Net cash outflow from investing activities amounted to RMB1,923 million, including mainly capital expenditure of RMB851 million, proceeds from disposal of partial interests in a joint venture of RMB235 million, net placement of fixed deposits held at banks with maturity over three months of RMB1,073 million and net payments of other investments of RMB287 million.

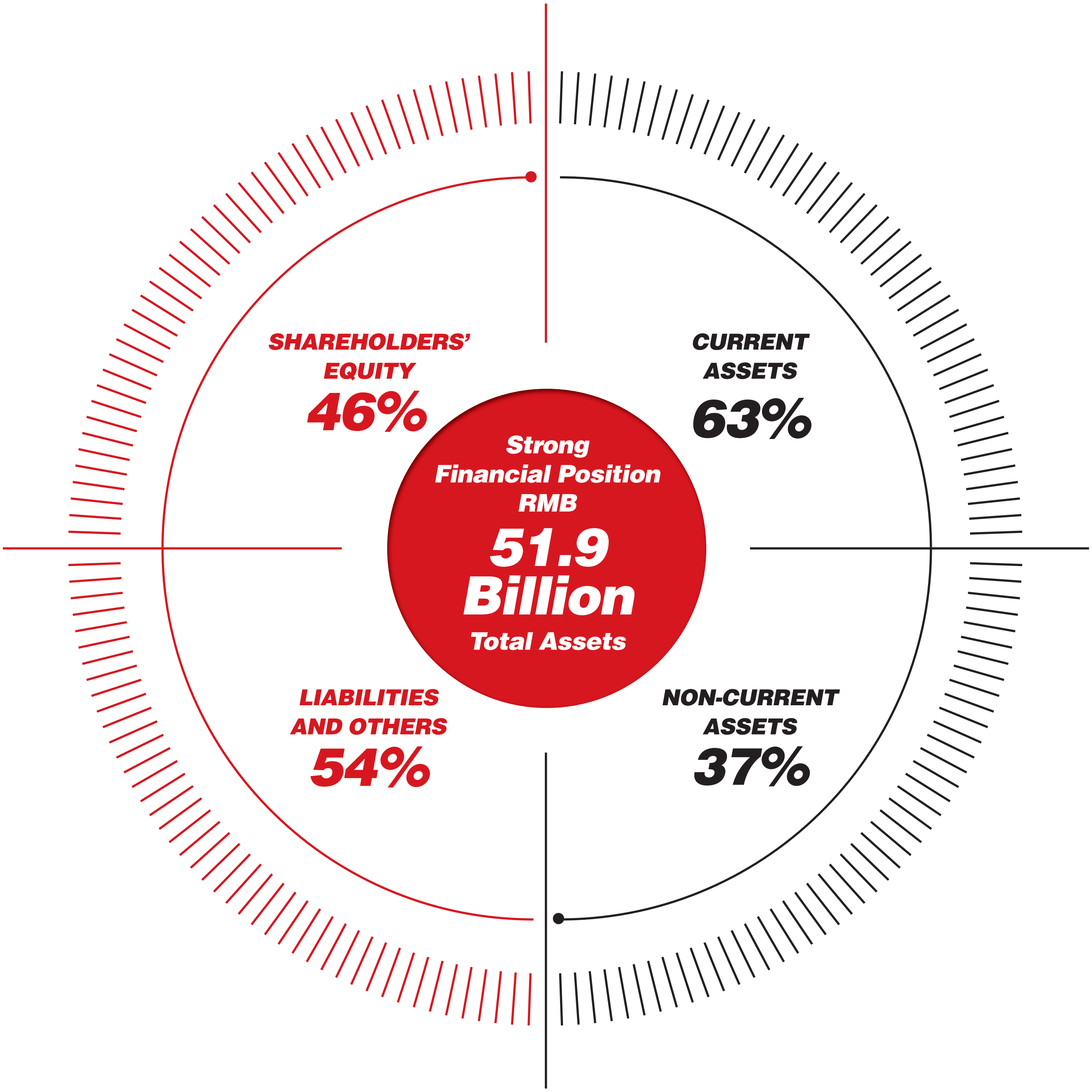
- Net cash inflow from financing activities amounted to RMB1,229 million, mainly including payments of the final dividend in respect of the financial year 2019 and the interim dividend in respect of the financial year amounting to RMB1,404 million, the net repayments of bank loans amounting to RMB3,343 million, payment of interest expenses on bank loans amounting to RMB152 million, net repayments of bill of exchange amounting to RMB200 million, net proceeds from issuance of convertible bonds amounting to RMB7,678 million, net proceeds from issuance of medium term notes amounting to RMB998 million, payment of lease liabilities amounting to RMB1,699 million, payment for shares purchased pursuant to share award scheme amounting to RMB464 million and payment for acquisition of partial interests in a subsidiary amounting to RMB124 million.

As at 31 December 2020, total assets of the Group amounted to RMB51,867 million, of which current assets were RMB32,717 million. Total liabilities and non-controlling interests were RMB27,854 million and total equity attributable to equity shareholders of the Company amounted to RMB24,013 million. The Group's gearing ratio was 27.8% as at 31 December 2020 (as at 31 December 2019: 22.3%), being a ratio of total borrowings to total assets. Bank loans were denominated in EUR, USD, RMB or HKD and measured at amortized cost. 18% of bank loans are at fixed rate and 18% of bank loans are repayable within one year. Bills payable (financing in nature) were bills of exchange denominated at RMB, measured at amortized cost and repayable within one year. Convertible bonds (liability component) were denominated in EUR, measured at amortized cost and repayable in 5 years (subject to early redemption provision under the terms and conditions). Medium term notes were denominated in RMB, measured at amortized cost and repayable in 3 years.

Assets/Liabilities Turnover Ratios

The average inventory turnover days increased by 35 days due to the increased level of retail operations, especially after the adoption of the DTC model for the ANTA business in certain regions in Mainland China. The average trade receivables turnover days increased by 5 days and the average trade payables turnover days increased by 9 days. The turnover ratios were within management's expectation and at acceptable levels under the impact of the Pandemic.





Pledge of Assets

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

Financial Management Policies

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

Nevertheless, the management actively monitors foreign exchange rate fluctuations to ensure that its net exposure is kept to an acceptable level.

Significant Investments and Acquisitions

Investment in a Joint Venture of AS Holding

At 31 December 2020, the Group has an investment in a joint venture of AS Holding.

Amer Sports is wholly-owned by AS Holding and is a sporting goods company with internationally recognized brands including Salomon, Arc'teryx, Peak Performance, Atomic, Suunto, Wilson and Precor etc. Its technically advanced sports equipment, footwear, apparel and accessories aim to improve performance and increase customer enjoyment of sports and outdoor activities. Amer Sports' business is balanced by its broad portfolio of sports and products and presence in all major markets. Shares of Amer Sports were delisted from the Nasdaq Helsinki Stock Exchange (stock code: AMEAS) on 4 September 2019 under applicable laws. A strategic growth plan was set by the investor consortium for Amer Sports to unlock the full potential of its internationally recognized sportswear and equipment brand, and the Group has strong belief in the future success of Amer Sports.

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

	Year ended 31 December 2020 (RMB million)	From 26 March 2019 to 31 December 2019 (RMB million)
Revenue (Note)	**19,450**	17,499
EBITDA	**1,615**	1,233
Net loss	**(1,140)**	(1,092)
Other comprehensive loss	**(554)**	(112)
Total comprehensive loss	**(1,694)**	(1,204)

Note: As a result of the Disposal (as defined below), Precor Group was classified as a disposal group held for sale at 22 December 2020 and a discontinued operation in the AS Holding's consolidated financial statements for the year ended 31 December 2020. In accordance with the applicable financial reporting standards, the comparative information for the period from 26 March 2019 to 31 December 2019 in AS Holding's consolidated financial statements has been re-presented as if the Precor Group, classified as a discontinued operation at 22 December 2020, had been classified at 26 March 2019. As such, AS Holding's revenue presented in its consolidated financial statements for both years excluded Precor Group's financial information. For this management discussion and analysis purpose, Precor Group's revenue was added back to AS Holding's consolidated revenue as if Precor Group's operation had remained as AS Holding's continuing operation during the financial year and the comparative period.

Reconciliation of revenue	**Year ended 31 December 2020 (RMB million)**	From 26 March 2019 to 31 December 2019 (RMB million)
Figures per the Company's consolidated financial statements note 16	**17,428**	14,949
Precor Group's financial information	**2,022**	2,550
Figures per above table	**19,450**	17,499

Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**Year ended 31 December 2020 (RMB million)**	From 26 March 2019 to 31 December 2019 (RMB million)
Net loss	**(1,140)**	(1,092)
Depreciation and amortisation	**1,604**	1,627
Interest income	**(7)**	(25)
Interest expense	**1,073**	751
Income tax expense/(income)	**85**	(28)
EBITDA	**1,615**	1,233

	As at 31 December 2020 (RMB million)	As at 31 December 2019 (RMB million)
Total Assets	**57,651**	59,176
Total Liabilities	**(39,324)**	(39,573)
Total Equity	**18,327**	19,603

During the financial year, a net loss on AS Holding (on a consolidated basis) of RMB1,140 million was recorded and was within our expectation under the Pandemic.

At 31 December 2020, the Group effectively held 526,962 shares or 52.70% interest in AS Holding. The carrying amount of the investment in the joint venture was RMB9,658 million, representing 19% of the total assets of the Group.

Upon consultation and discussion with our professional advisors, the Company considers that AS Holding shall not be regarded as a subsidiary of the Company under the Listing Rules.

Disposal of Partial Interests in a Joint Venture

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

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

Disposal of Precor Brand Business by a Joint Venture

On 22 December 2020 (Hong Kong time) (21 December 2020 New York time), Amer Sports and Peloton Interactive, Inc (the "Purchaser") entered into a stock and asset purchase agreement (the "Stock and Asset Purchase Agreement"), pursuant to which Amer Sports has agreed to sell, and the Purchaser has agreed to purchase, (i) 100% of the issued share capital in each of the target companies (and their respective wholly-owned subsidiaries engaging the Precor brand business, collectively "Precor Group") and (ii) any and all intellectual property related to the business of the Precor Group ("Precor Intellectual Property") for an aggregate consideration of USD420.0 million (equivalent to approximately RMB2,779 million) in cash, subject to a number of customary adjustments in accordance with the terms and conditions thereof (the "Disposal"). The Purchaser is a company incorporated in Delaware and is listed on the NASDAQ Stock Exchange (NASDAQ code: PTON) and an independent third party to the Company. It is a leading interactive fitness platform principally engaged in the provision of a subscription platform for the streaming of digital fitness and wellness content.

Amer Sports and the Purchaser shall enter into a transition services agreement at the completion of the Stock and Asset Purchase Agreement, pursuant to which Amer Sports (as the provider) will provide certain transitional support, services and other operational assistance to the Purchaser (as the recipient) at service charges mutually agreed for a service period of six or twelve months (depending on the service categories) to facilitate smooth transition.

To help accelerate future growth, AS Holding has embarked on a number of strategic choices, including a focus on soft goods expansion and an acceleration of DTC distribution. The Disposal fits well with such strategy by optimising the internal resources of AS Holding and its subsidiaries (the "JV Group").

The Board considered that the Disposal and the terms of the Stock and Asset Purchase Agreement, including the consideration, were entered into on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

It is estimated that JV Group will record a net gain on the Disposal of approximately USD20.0 million (equivalent to approximately RMB132 million), which will be reflected in the JV Group's 2021 financial statements and 52.70% of such estimated net gain (which represents the equity interest held by the Company in AS Holding) will be recognized as part of the Group's share of profit or loss of a joint venture in the relevant financial period upon the completion of the Stock and Asset Purchase Agreement. Such expected net gain is calculated by reference to the unaudited net asset value of the Precor Group and the carrying value of the Precor Intellectual Property attributable to the JV Group, and will be subject to a number of customary adjustments in the accordance with the terms specified in the Stock and Asset Purchase Agreement, and the audit by the auditors of AS Holding, which may be different from the above figure.

The net proceeds to be received by JV Group from the Disposal, after deducting the taxation and transaction costs, are estimated to be approximately USD360.0 million (equivalent to approximately RMB2,382 million). It is expected that the JV Group will apply the net proceeds from the Disposal for general corporate purposes (including but not limited to working capital and / or debt repayment pursuant to existing financing arrangements).

For further details, please refer to the announcement of the Company dated 22 December 2020.

Reorganization of DCH

Descente China Holding (or DCH) (a subsidiary of the Company) is a joint venture company and was owned as to 60% by the Group, 30% by Descente Global Retail Limited, a wholly-owned subsidiary of Descente Ltd. (collectively "Descente Global") and 10% by Itochu Textile Prominent (Asia) Limited, a wholly-owned subsidiary of Itochu Corporation (collectively "Itochu").

DCH is holding the entities which operate the DESCENTE business in Mainland China, Hong Kong and Macao (collectively the "Territories"). The trademarks and other relevant intellectual properties rights for Descente brand business in the Territories (the "China IP") was wholly owned by Descente Global.

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

(i) the injection of China IP into a newly set up entity wholly-owned by Descente Global (i.e. Descente China IP Limited or "Descente IP");

(ii) the injection of 90% interests in Descente IP into DCH by Descente Global; and

(iii) the increase in shareholding of Descente Global in DCH.

The aforesaid reorganization was completed during the financial year. DCH is currently owned as to 54% by the Group, 40% by Descente Global and 6% by Itochu. The China IP is wholly owned by Descente IP, and Descente IP is owned as to 90% by DCH and 10% by Descente Global.

The Board believes that the transactions including the injection of interest in Descente IP and China IP into DCH would promote acceleration and expansion of the DESCENTE business in China.

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

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

Significant Financing

Subscription of New Shares By Connected Person

In 2019, the Company and Anamered Investments Inc. (the "Subscriber") competed a subscription agreement pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 15,842,000 new ordinary shares of the Company in cash at the subscription price of HKD49.11 per Share (the "Subscription"). The Subscriber is a connected person of the Company under the Listing Rules.

The gross and net proceeds from the Subscription were approximately HKD778 million (equivalent to RMB692 million). The net proceeds were fully utilized for general working capital during the financial year.

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

Zero Coupon EUR1 Billion Convertible Bond Due 2025 Issue

During the financial year, the Group issued zero coupon convertible bonds due 2025 in the aggregate principal amount of EUR1 billion (the "Bond Issue"), which were listed on the Singapore Stock Exchange. The issue price was 100.25% of the principal amount of the convertible bond. The convertible bonds may be converted into ordinary shares of the Company pursuant to its terms and conditions. Based on the initial conversion price of HKD105.28 per conversion share (subject to adjustment) and assuming full conversion of the convertible bonds, the convertible bonds would be convertible into 82,129,559 conversion shares.

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

As of 31 December 2020, an aggregate principal amount of EUR1 billion of the convertible bonds was outstanding and, based on the latest conversion price per conversion share of HKD104.40 effective from 10 September 2020, would be convertible into 82,821,839 conversion shares.

The gross and net proceeds from the Bond Issue were approximately EUR1,003 million (equivalent to RMB7,681 million) and EUR1,002 million (equivalent to RMB7,678 million) respectively. During the financial year, EUR358 million (equivalent to RMB2,939 million) of the net proceeds were used to repay part of the bank loans in relation to the investment in the joint venture. As of 31 December 2020, the remaining unused net proceeds was EUR644 million (equivalent to RMB5,148 million), which the Company intends to use for the refinancing of existing debt, working capital and other general corporate purposes.

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

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

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

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

The gross and net proceeds from the issuance of medium term notes were approximately RMB1 billion and RMB998 million respectively. During the financial year, the entire net proceeds were used in general working capital of the Group.

Capital Commitments, Contingencies and Guarantee

Capital Commitments

As at 31 December 2020, the Group had capital commitments of RMB2,874 million, primarily relating to construction of Shanghai ANTA Center and Group logistic center and decoration of a new office building in Xiamen and retail stores.

Contingencies

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

Guarantee

A 5-year EUR1,300.0 million term loan facility ("Facility A") is provided by independent third party bank lenders to AS Holding for the purpose of, amongst other things, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) any refinancing of any indebtedness of Amer Sports in connection with the acquisition of shares of Amer Sports. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of AS Holding to the arrangers, the lenders and the agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. As at 31 December 2020, Facility A has been fully drawn by AS Holding.

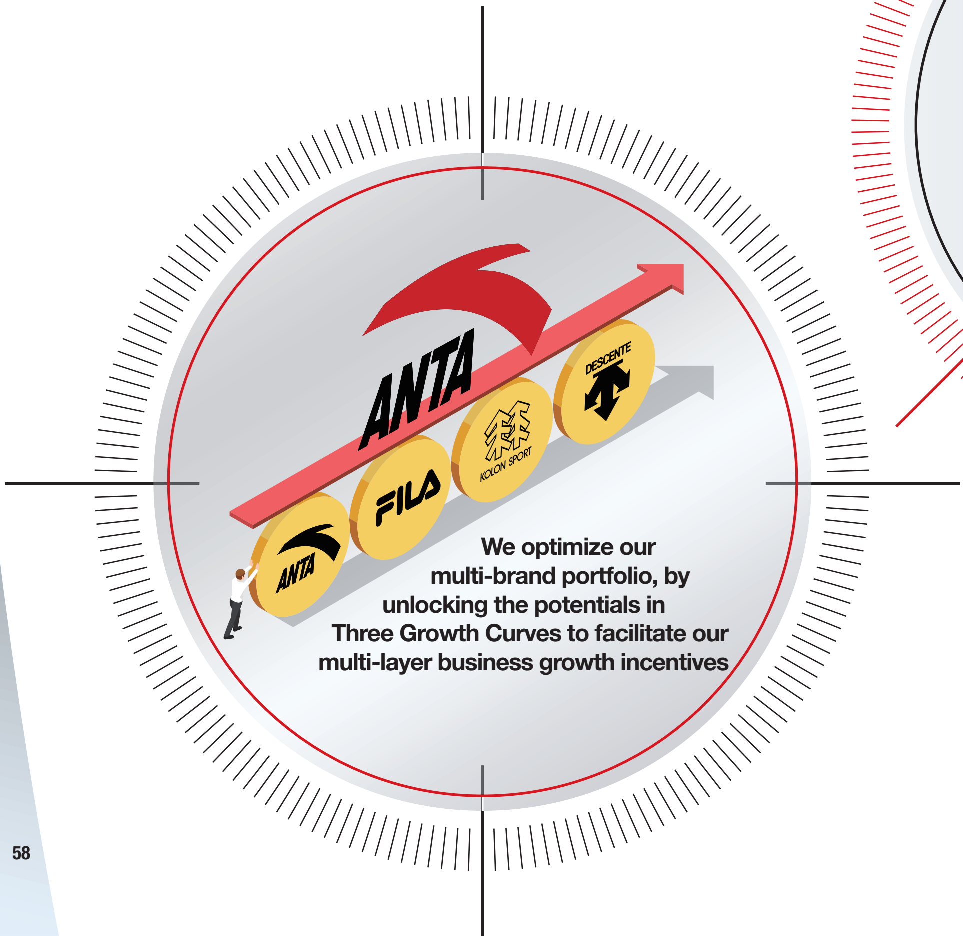
Saved as disclosed above, as at 31 December 2020, the Group did not provide any form of guarantee for any company outside the Group.

PROSPECTS

2021 will continue to be an unusual year against the backdrop of the ongoing Pandemic. Although the Pandemic situation has improved gradually and the deployment of vaccines should bring us further hope, the impact brought by the Pandemic will continue to change the way we live in a lasting manner. 2021 is also set to be a remarkable year for ANTA Sports, as it embraces the 30th anniversary of the establishment of the company. In the past decades, we have showcased our ability to overcome challenges and deliver sustainable growth. In the future, we will continue our path to success through the solid foundation and agility of ANTA Sports, just like our motto of "Keep Moving". No matter how much uncertainty we see in the external environment, our perseverance to achieve success, articulated strategic thinking, core competitiveness, and our iron troop culture will guide us through a journey of quality growth despite the ever-changing environment.

Three Growth Curves to Facilitate "High-Quality Growth"

The successful implementation of our "Single-focus, Multi-brand, Omni-channel" strategy has built a solid foundation for our business. During the financial year, echoing to our strategic thinking and resources allocation, we optimized our multi-brand portfolio to form Three Growth Curves. In 2021, we will continue to unlock the potentials in Three Growth Curves to facilitate our multi-layer business growth incentives. The first curve was the cornerstone growth curve, featuring ANTA as the core with a focus on "Mass, Professional, New National Products". 2021 not only is the year of 30th anniversary of ANTA Sports, but also the year of welcoming the Tokyo Olympics and the Beijing 2022 Olympic and Paralympic Winter Games. ANTA will seize the opportunity to enhance the influence and value of the brand. The second growth curve led by FILA aims at achieving high quality growth. Riding on its unique position, FILA is expected to penetrate further into the high-end consumer group. Together with the help of FILA KIDS and FILA FUSION, FILA's business will grasp more opportunity by penetrating into wider range of age groups, expanding our target customers from single customers to whole families. The third curve consists of the high growth potential brands such as DESCENTE and KOLON SPORT.



While the outdoor and winter sports market are expected to have massive potential, we will focus on providing differentiated experience and achieving sustainable growth rather than just targeting absolute growth rate.

This strategic thinking has been a framework for guiding us in setting the development plan for each brand and each business unit, which bring us closer to our vision and mission. Moving forward, all the growth curves will become the strategic guidance with clarity.

Forging ahead for Globalization with Vision, Building up Brand Culture and Confidence

No matter how the external environment fluctuates, we have articulated missions and visions throughout the journey of our development, as this belief enables us to overcome uncertainty and drive excellence. In order to become a respectable world-class, multi-brand sportswear group, we are committed to providing the best sportswear products to meet the expectation of every consumers. “Consumer-oriented” will continue to be our key winning factor, and we will continue to meet consumer demand for brand quality improvement. “Reconstruction of Mindset” will continue to be our important path of development. All brands will take three dimensions into consideration including brand strategy, retail strategy and innovation strategy.

Upholding the culture of "Benchmarking with High-Standards", we make further progress in digitalization with the aim to achieve a higher level of integrations between consumer experiences and consumer demands

We are the first Chinese sportswear company to establish an international partnership with the WWF, aiming to coordinate other stakeholders to jointly promote environmental conservation

We focus on the store efficiency optimization and online penetration by "Single-focus, Multi-brand, Omni-channel" strategy. Target number of stores by the end of 2021:

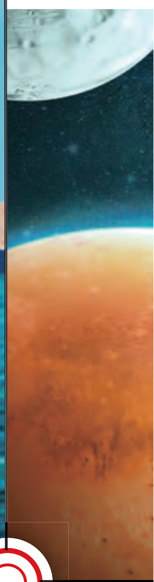
ANTA and ANTA KIDS: 9,800-9,900

FILA, FILA KIDS and FILA FUSION: 2,050-2,150

DESCENTE: 210-220

KOLON SPORT: 160-170

MANAGEMENT DISCUSSION AND ANALYSIS



As a pioneering enterprise with global vision, we have been emphasizing confidence in our corporate culture and the importance of talent. We will also improve staff training, helping them to become outstanding business leaders in various business units. In 2021, we will launch the campaign of "Leading by Example", and train and nurture young talents by providing platforms and opportunities, shaping a young managerial team as a reservation power in human resources.

"Benchmarking with High Standards" with Strong Determination to Win

In our approach to globalization, we have always upheld the culture of "Benchmarking with High-Standards", a culture to identify the disparity in management methodology by comparing ourselves with international outstanding enterprises. The essential prerequisite for our success is product innovation. Our talented designers in Mainland China, Hong Kong, the US, Japan and Korea will continue to strengthen our capability in innovation and uphold our status as an innovative enterprise in the coming years.

Meanwhile, we make further progress in digitalization with the aim to achieve a higher level of integrations between consumer experiences and consumer demands. We will further improve our membership program to study the consumer matrix and their demands, which will accelerate our connections with different target audiences. We will adopt various measures to enhance our communication with consumers, analyzing consumers' characteristics in detail, including their price sensitivity, age, preferences and so on. We will also upgrade our decision-making process, from relying on previous experience to relying on data. Data management helps us to simplify the procedure of manufacturing and selling, which can further lower intermediate costs. We will continue to enhance talent recruitment, attracting people with strong skills in digitalization to join our team to strengthen our capability in such area. Our e-commerce business will continue to be one of our important growth drivers among our sales channels in the next five years, and we are committed to making further progress and breakthroughs based on the high growth in this segment during the financial year.

Stand in the future and think about today, welcome " 30+" with an open mind

The Pandemic and global economic recovery still pose significant uncertainties. However, as prevention and control of Pandemic becomes the new norm for people's daily life, we have also learnt how to live with the situation. We will continue to implement "Dynamic Management " to drive "High-quality Growth". In the long-term, we will focus on the store efficiency optimization and online penetration, and strive to maintain a relatively stable offline store number. By the end of 2021, we expect the total number of ANTA stores (including ANTA KIDS standalone stores) in Mainland China and foreign countries to become 9,800 to 9,900, and the total number of FILA stores (including FILA KIDS and FILA FUSION standalone stores) in Mainland China, Hong Kong, Macao and Singapore to reach 2,050 to 2,150. Meanwhile, DESCENTE is expected to have 210 to 220 stores in Mainland China and Hong Kong, and KOLON SPORT is expected to have a total of 160 to 170 stores in Mainland China and Hong Kong by the end of 2021.

The 30th anniversary of the establishment of the ANTA Sports means that we must embrace the upcoming new decade with an open mind. With an open mind, we can enhance our awareness of the world, and this is of immense benefit because every change is generated from implementing the philosophy of "Awareness". This is helpful for us to learn about the external environment and other outstanding enterprises, as well as to learn new ideologies and new things by maintaining curiosity. With the mindset of openness and unconditional optimism, we believe ANTA Sports can and will be a world-class enterprise in the next decade.


ATOMIC

Xin Zhilei,
A renowned Chinese actress

INVESTORS INFORMATION

SHARE INFORMATION

Listing Day:
10 July 2007

Board lot size:
1,000 shares

Numbers of shares outstanding:
2,703,329,000 shares
(As at 31 December 2020)

STOCK CODES

The Stock Exchange of Hong Kong
2020

Reuters
2020.HK

Bloomberg
2020HK

MSCI
3741301

DIVIDENDS

HK cents	2016	2017	2018	2019	2020
Interim dividend	34	41	50	31	21
Final dividend	34	41	28	36	47
Special dividend	8	16	–	–	–

IMPORTANT DATES

24 March 2021	Annual results announcement
7 May 2021	Annual general meeting
12 May 2021 4:30 p.m.	Record date of 2020 final dividend
On or about 26 May 2021	Payment date of 2020 final dividend
31 December 2021	Financial year end date of 2021

IR 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

The Directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2020.

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 branding, production, design, procurement, supply chain management, wholesale and retail of branded sporting goods including footwear, apparel and accessories. The Group also has an investment in a joint venture, the principal activity of which is operating Amer Sports' business. Please refer to note 16 to the financial statements for more details of Amer Sports business.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 22 to 63 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:

	2020 Percentage of the Group's total		2019 Percentage of the Group's total	
	Sales	**Purchases**	Sales	Purchases
The largest customer	**4.4%**		2.6%	
Five largest customers in aggregate	**10.1%**		9.6%	
The largest supplier		**3.0%**		3.0%
Five largest suppliers in aggregate		**14.2%**		13.7%

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

REPORT OF THE DIRECTORS

Five-year Financial Summary

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

Financial Statements

The profit of the Group for the year ended 31 December 2020 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 110 to 175 of the annual report.

Transfer to Reserves

Profits attributable to equity shareholders, before dividends, of RMB5,162 million (2019: RMB5,344 million) have been transferred to the reserves. Other movements in reserves are set out in note 27 to the financial statements.

Recommended Dividend

An interim dividend of HK21 cents per ordinary share (2019: HK31 cents per ordinary share) was paid on 22 September 2020.

The Directors now recommend the payment of a final dividend of HK47 cents per ordinary share (2019: final dividend of HK36 cents per ordinary share) in respect of the year ended 31 December 2020.

Charitable Donations

Charitable donations made by the Group during the financial year amounted to RMB32 million (2019: RMB37 million).

Non-current Assets

Details of acquisitions and other movements in non-current assets (including property, plant and equipment, right-of-use assets, construction in progress and intangible assets) during the financial year are set out in notes 10 to 14 to the financial statements.

Borrowings

Particulars of borrowings of the Group as at 31 December 2020 are set out in note 21 to the financial statements.

Share Capital

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

Equity-Linked Agreements

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

Purchases, Sales and Redemptions of Listed Securities

During the financial year, the trustee of the Share Award Scheme purchased 7,822,000 Shares (2019: 8,555,000 Shares) on the Hong Kong Stock Exchange for an aggregate consideration of approximately RMB464 million (2019: RMB445 million).

Save as above, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the 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. Wu Yonghua
Mr. Zheng Jie

Non-Executive Director

Mr. Wang Wenmo

Independent Non-Executive Directors

Mr. Dai Zhongchuan *(AC, RC, RMC)*
Mr. Yiu Kin Wah Stephen *(AC, NC, RMC)*
Mr. Mei Ming Zhi (resignation effective from 1 November 2020) *(AC)*
Mr. Lai Hin Wing Henry Stephen (appointment effective from 1 November 2020) *(AC, RC, NC)*

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

Details of the Directors' biographies have been set out on pages 104 and 105 of the annual report.

Mr. Mei Ming Zhi has tendered his resignation as an Independent Non-Executive Director of the Company with effect from 1 November 2020 due to the need to focus on his other businesses. Mr. Mei has confirmed that there is no disagreement with the Board and there is no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or Hong Kong Stock Exchange. The Board would like to express its sincere gratitude to Mr. Mei for his invaluable contributions to the Company during the tenure of his service as an Independent Non-Executive Director.

Mr. Lai Hin Wing Henry Stephen has been appointed as an Independent Non-Executive Director of the Company by the Board to fill a casual vacancy with effect from 1 November 2020. Mr. Lai was appointed by way of a letter of appointment with a term of 3 years. In accordance with article 86 of the Company's articles of association, his appointment is subject to retirement by rotation and will be eligible for re-election at the upcoming AGM.

In accordance with article 87 of the Company's articles of association, Mr. Ding Shijia, Mr. Zheng Jie and Mr. Yiu Kin Wah Stephen will retire from office by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election.

Each of the Directors in the Board has entered into a service contract 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.

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.

Confirmation of Independence

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

Permitted Indemnity Provision

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

Directors' Interests in Transactions, Arrangements or Contracts

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

Directors' Remuneration

The Company'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.

Remuneration Committee assists the Board on formulating remuneration policy and determining the emoluments of senior management and the Directors of the Company. Responsibilities and work performed in the financial year by Remuneration Committee are stated on pages 88 to 89 in the Corporate Governance Report.

Arrangements to Purchase Shares or Debentures

Save as disclosed in this annual report, at no time during the financial year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company or chief executives or any of their close associate (as defined under the Listing Rules) to acquire benefits by means of the acquisitions of shares or debentures of the Company or any other body corporate.

Competing Business

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

Each of the Controlling Shareholders (as defined in the prospectus of the Company issued on 26 June 2007 (the "Prospectus")) has confirmed to the Company of his/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.

Management Contracts

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

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

As at 31 December 2020, the Directors and chief executives of the Company and their associates had the following interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"):

Interests in Shares and underlying Shares and associated corporations

Name of Directors	Company/ Name of associated corporation	Capacity/ Nature of interest	Number of shares interested	Number of underlying Shares interested[2]	Approximate percentage of interest in such corporation[1]
Mr. Ding Shizhong	Company	Founder of a discretionary trust	1,659,446,000 (L)[3]	–	61.39%
	Anta International	Founder of a discretionary trust	4,036 (L)[3]	–	33.60%
	Anta International	Interest in controlled corporation	139 (L)[3]	–	1.16%
Mr. Ding Shijia	Company	Founder of a discretionary trust	1,000,000 (L)[4]	–	0.04%
	Anta International	Founder of a discretionary trust	3,976 (L)[4]	–	33.10%
Mr. Lai Shixian	Company	Beneficial owner	91,955 (L)	–	0.00%
	Company	Beneficiary of a trust (other than a discretionary trust)	–	800,000(L)	0.03%
	Anta International	Beneficiary of a discretionary trust/ Interest of spouse	1,114 (L)[5]	–	9.28%
	Anta International	Interest in controlled corporation	304 (L)[5]	–	2.53%
Mr. Wu Yonghua	Anta International	Founder of a discretionary trust	596 (L)[6]	–	4.96%
Mr. Zheng Jie	Company	Beneficial owner	800,000 (L)	–	0.03%
Mr. Wang Wenmo	Anta International	Founder of a discretionary trust	1,114 (L)[7]	–	9.27%
Mr. Yiu Kin Wah Stephen	Company	Beneficial owner	23,000 (L)	–	0.00%
	Company	Other	20,000 (L)[8]	–	0.00%

(L) — Long Position

Notes:

(1) As at 31 December 2020, the number of outstanding ordinary shares of the Company and of Anta International were 2,703,329,000 and 12,012, respectively.

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

(3) A total of 1,650,000,000 Shares were directly held by Anta International and its wholly-owned subsidiaries, and 9,446,000 Shares were directly held by Shine Well (Far East) Limited ("Shine Well"), representing 61.04% and 0.35% of the issued Shares as at 31 December 2020 respectively. Shine Well was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Anta International and therefore was deemed to be interested in all the Shares held by Anta International. The entire issued share capital of Shine Well was held by Top Bright Assets Limited. The entire issued share capital of Top Bright Assets Limited was in turn held by HSBC International Trustee Limited ("HSBC Trustee") acting as the trustee of the DSZ Family Trust. The DSZ Family Trust was an irrevocable discretionary trust set up by Mr. Ding Shizhong as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSZ Family Trust are Mr. Ding Shizhong and his family members. Mr. Ding Shizhong as founder and one of the beneficiaries of the DSZ Family Trust was deemed to be interested in the 1,659,446,000 Shares held by Anta International and Shine Well and 4,036 shares of Anta International held by Shine Well.

139 shares of Anta International, representing 1.16% of the issued share capital of Anta International as at 31 December 2020, were directly held by Blossom Prospect Limited ("Blossom Prospect"). Mr. Ding Shizhong was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Blossom Prospect and therefore was deemed to be interested in 139 shares of Anta International held by Blossom Prospect.

(4) The interests of Mr. Ding Shijia in the Company and Anta International were held through Talent Trend Investment Limited ("Talent Trend"), which directly held 1,000,000 Shares and 3,976 shares of Anta International, representing 0.04% of the issued Shares and 33.10% of the issued share capital of Anta International as at 31 December 2020 respectively. The entire issued share capital of Talent Trend was held by Allwealth Assets Limited, which was in turn held by HSBC Trustee acting as the trustee of the DSJ Family Trust. The DSJ Family Trust was an irrevocable discretionary trust set up by Mr. Ding Shijia as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DSJ Family Trust were Mr. Ding Shijia and his family members. Mr. Ding Shijia as the founder and one of the beneficiaries of the DSJ Family Trust was deemed to be interested in the 1,000,000 Shares and the 3,976 shares of Anta International held by Talent Trend.

(5) Certain interests of Mr. Lai Shixian in Anta International were held through Gain Speed Holdings Limited, which directly held 1,114 shares of Anta International, representing 9.28% of the issued share capital of Anta International as at 31 December 2020. The entire issued share capital of Gain Speed Holdings Limited was held by Spring Star Assets Limited, which was in turn held by HSBC Trustee acting as the trustee of the DYL Family Trust. The DYL Family Trust was an irrevocable discretionary trust set up by Mr. Lai Shixian's spouse, Ms. Ding Yali, as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the DYL Family Trust were Mr. Lai Shixian, Ms. Ding Yali and their family members. Ms. Ding Yali as the founder of the DYL Family Trust was deemed to be interested in the 1,114 shares of Anta International held by Gain Speed Holdings Limited. Mr. Lai Shixian as one of the beneficiaries of the DYL Family Trust and as the spouse of Ms. Ding Yali was deemed to be interested in the 1,114 shares of Anta International held by Gain Speed Holdings Limited.

139 shares of Anta International, representing 1.16% of the issued share capital of Anta International as at 31 December 2020, were directly held by Blossom Prospect. Mr. Lai Shixian was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of Blossom Prospect and therefore was deemed to be interested in 139 shares of Anta International held by Blossom Prospect.

165 shares of Anta International, representing 1.38% of the issued share capital of Anta International as at 31 December 2020, were directly held by First Start Investment Limited ("First Start"). Mr. Lai Shixian was entitled to exercise or control the exercise of one third or more of the voting power at the general meeting of First Start and therefore was deemed to be interested in 165 shares of Anta International held by First Start.

(6) The interests of Mr. Wu Yonghua in Anta International were held through Spread Wah International Limited, which directly held 596 shares of Anta International, representing 4.96% of the issued share capital of Anta International as at 31 December 2020. The entire issued share capital of Spread Wah International Limited was held by Allbright Assets Limited, which was in turn held by HSBC Trustee acting as the trustee of the WYH Family Trust. The WYH Family Trust was an irrevocable discretionary trust set up by Mr. Wu Yonghua as settlor and HSBC Trustee as trustee on 23 May 2007. The beneficiaries under the WYH Family Trust were family members of Mr. Wu Yonghua. Mr. Wu Yonghua as the founder of the WYH Family Trust was deemed to be interested in the 596 shares of Anta International held by Spread Wah International Limited.

(7) The interests of Mr. Wang Wenmo in Anta International were held through Fair Billion Development Limited, which directly held 1,114 shares of Anta International, representing 9.27% of the issued share capital of Anta International as at 31 December 2020. The entire issued share capital of Fair Billion Development Limited was held by Asia Bridges Assets Limited, which was in turn held by HSBC Trustee acting as the trustee of the WWM Family Trust. The WWM Family Trust was 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 were Mr. Wang Wenmo and his family members. Mr. Wang Wenmo as the founder and one of the beneficiaries of the WWM Family Trust was deemed to be interested in the 1,114 shares of Anta International held by Fair Billion Development Limited.

(8) The interests of Mr. Yiu Kin Wah Stephen were held by his family member as at 31 December 2020. Mr. Yiu Kin Wah Stephen, having a general power of attorney of a family member's securities account, is deemed to be interested in the 20,000 Shares held by his family member.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company 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 2020, the persons or corporations (not being a Director or chief executive of the Company) who had an interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Interests in Shares/underlying Shares

Name of Shareholders	Capacity/Nature of interest	Number of Shares/ underlying Shares interested	Approximate percentage of interest in the Company
HSBC Trustee	Trustee[1]	1,660,520,000 (L)	61.43%
Top Bright Assets Limited	Interest in controlled corporation[1]	1,659,446,000 (L)	61.39%
Shine Well	Interest in controlled corporation[1]	1,650,000,000 (L)	61.04%
	Beneficial owner[1]	9,446,000 (L)	0.35%
Anta International	Beneficial owner[2]	1,373,625,000 (L)	50.81%
	Interest in controlled corporation[2]	276,375,000 (L)	10.23%
Anda Holdings	Beneficial owner	160,875,000 (L)	5.95%

(L) — Long Position

Notes:

(1) *The interests of HSBC Trustee in the Company were held through Anta International, Anda Holdings, Anda Investments, Shine Well and Talent Trend, representing approximately 50.81%, 5.95%, 4.27%, 0.35% and 0.04% of the issued Shares, respectively. In addition, HSBC Trustee also held 74,000 Shares as trustee for persons unrelated to the substantial shareholders.*

HSBC Trustee was the trustee of the DSZ Family Trust, the DSJ Family Trust, the DYL Family Trust, the WYH Family Trust and the WWM 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. Shine Well 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 it is deemed to be interested in all the 1,650,000,000 Shares held by Anta International. As at 31 December 2020, Anta International directly held 1,373,625,000 Shares. Anta International held the entire issued share capital of each of Anda Holdings and Anda Investments and therefore was deemed to be interested in 160,875,000 Shares and 115,500,000 Shares directly held by Anda Holdings and Anda Investments, respectively. Accordingly, HSBC Trustee, Top Bright Assets Limited, and Shine Well 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 was 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 2020, the Directors were not aware of any other person or corporation having an interest or short positions in Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Continuing Connected Transactions

Certain related party transactions as disclosed in note 31 to the financial statements also constituted continuing connected transactions under the Listing Rules which are required to be disclosed in this 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 20 December 2018.

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

On 20 December 2018, ANTA China and Quanzhou Anda (and for and on behalf of certain entities) entered into an agreement ("Packaging Material Supply Agreement") for a term of 3 years from 1 January 2019 to 31 December 2021 in relation to the supply of paper packaging materials, including but not limited to, cardboard cases, paper bags and shoe boxes, from Quanzhou Anda (and those entities) 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. Those entities are entities or corporations incorporated in the PRC owned and/or controlled by Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian or Mr. Wang Wenmo, each a Director, and/or each of their respective associates, which are principally engaged in the manufacture and sales of packaging materials in the PRC ("Material Supplies Entities").

Under the Packaging Material Supply Agreement, the prices for paper packaging materials shall be agreed in arm's length negotiation between Quanzhou Anda (and/or the Material Supplies Entities) 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 and the Material Supplies Entities are owned and/or controlled by Mr. Ding Shizhong, Mr. Ding Shijia, Mr. Lai Shixian or Mr. Wang Wenmo, each a Director, and/or each of their respective associates is and are therefore connected persons 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 and the Material Supplies Entities amounted to RMB101 million (2019: RMB91 million).

2. Master Services Agreement with Mr. Ding Shijia

On 20 December 2018, the Company (for and on behalf of the relevant member companies of the Group) entered into an agreement with Mr. Ding Shijia (for and on behalf of certain entities) for a term of 3 years from 1 January 2019 to 31 December 2021 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 million (2019: RMB20 million).

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

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

(2) on normal commercial terms or better; and

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

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

Convertible Bond

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

The initial conversion price per conversion share was HKD105.28, subject to adjustment in accordance with the terms and conditions of the Bonds. As a result of the approval of the final dividend of HK36 cents per Share for the year ended 31 December 2019 by Shareholders at the annual general meeting of the Company held on 11 May 2020, the conversion price per conversion share was adjusted from HKD105.28 to HKD104.68 with effect from 16 May 2020. For details please refer to the announcement of the Company dated 11 May 2020. As a result of the declaration of the interim dividend of HK21 cents per Share for the six month ended 30 June 2020 by the Board on 25 August 2020, the conversion price per conversion share was further adjusted from HKD104.68 to HKD104.40 with effect from 10 September 2020. For details please refer to the announcement of the Company dated 25 August 2020.

As at 31 December 2020, the total number of the issued shares of the Company is 2,703,329,000. Based on the latest conversion price and assuming full conversion of the Bonds, the Bonds will be convertible into 82,821,839 conversion shares, representing approximately 3.06% of the issued share capital of the Company and approximately 2.97% of the issued share capital of the Company as enlarged by the issue of such conversion shares (assuming that there is no other change to the issued share capital of the Company).

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

As at 31 December 2020, the total outstanding principal amount of the Bonds was EUR1,000 million (equivalent to RMB7,994 million). There had not been any exercise of conversion right of the Bonds during the financial year, and no redemption right had been exercised by the bondholders or the Company during the financial year.

Assuming the Bonds were fully exercised on 31 December 2020, the shareholdings of the Company immediately before and after the full exercise of the Bonds are set out below for illustration purposes:

Name of Shareholders	Shareholding immediately before the full exercise of the Bonds: Number of Shares	Shareholding immediately before the full exercise of the Bonds: Approximate % of issued share capital of the Company	Upon full conversion of the Bonds at the conversion price of HKD104.40 each: Number of Shares	Upon full conversion of the Bonds at the conversion price of HKD104.40 each: Approximate % of issued share capital of the Company
Anta International (Note)	1,373,625,000	50.81%	1,373,625,000	49.30%
Anda Holdings (Note)	160,875,000	5.95%	160,875,000	5.77%
Anda Investment (Note)	115,500,000	4.27%	115,500,000	4.15%
Shine Well	9,446,000	0.35%	9,446,000	0.34%
Talent Trend	1,000,000	0.04%	1,000,000	0.04%
Bondholders	–	–	82,821,839	2.97%
Other Shareholders	1,042,883,000	38.58%	1,042,883,000	37.43%
Total	2,703,329,000	100.00%	2,786,150,839	100.00%

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

Based on the cash and cash equivalents and the fixed deposits held at banks with maturity over three months as at 31 December 2020, the Company has the ability to meet its redemption obligation under the Bonds.

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

Bondholders to convert or redeem

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

Date	30 June 2021	31 December 2021
Company's share price	HKD116.05	HKD116.75

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 23 to the financial statements.

Share Option Schemes

Share Option Scheme I

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

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 until expiry.

On 14 September 2020, 1,200,000 share options granted but not exercised under the Share Option Scheme I expired and forfeited.

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

	Number of options									
Name or category of participant	As at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2020	Exercise price per Share	Date of grant	Vesting period	Exercise period
Employees other than Director (including ex-employees)										
In aggregate	2,582,000	–	(1,382,000)[1]	(1,200,000)	–	–	HKD16.20	15 September 2010	1.5 years from the date of grant	15 March 2012 to 14 September 2020
Total	2,582,000	–	(1,382,000)	(1,200,000)	–	–				

Notes:

(1) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HKD73.24.

Share Option Scheme II

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

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

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

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

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

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

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

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

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

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

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

(a) the nominal value of a Share;

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

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

An offer of the grant of an option shall remain open for acceptance by the Eligible Persons for a period of 30 days from the offer date provided that no such grant of an option may be accepted after the expiry of the effective period of the Share Option Scheme II. An option shall be deemed to have been granted and accepted by the Eligible Persons and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the option duly signed by the grantee together with a remittance in favour of the Company of HKD1.0 by way of consideration for the grant thereof is received by the Company on or before 30 days after the offer date. Such remittance shall in no circumstances be refundable.

The 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. As at 31 December 2020, the remaining life of the Share Option Scheme II is around 6 years.

No options were granted, exercised, lapsed or cancelled under the Share Option Scheme II during the financial year. As at 31 December 2020, there were no outstanding options under the Share Option Scheme II.

Share Award Scheme

The Company adopted the share award scheme (the "Share Award Scheme") on 19 October 2018 in which employees of the Group will be entitled to participate, and shall be valid and effective for a term of 10 years commencing on the adoption date. The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Pursuant to the Share Award Scheme, existing shares of the Company will be purchased by the professional trustee (which is independent of and not connected with the Company) appointed by the Company for the administration of the scheme from the open market out of cash contributed by the Group and be held in trust for selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the scheme.

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

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

The Share Award Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules, and is a discretional scheme of the Company.

During the financial year, pursuant to the Share Award Scheme, 7,822,000 ordinary shares (2019: 8,555,000) in the Company were purchased on the open market by the trustee. Total consideration paid during the financial year, including all relevant expenses, were RMB464 million (2019: RMB445 million). As at 31 December 2020, the trustee of the Share Award Scheme held a total of 14,321,333 (2019: 8,555,000) Shares. As at 31 December 2020, the remaining life of the Share Award Scheme is around 7.5 years, subject to any early termination as may be determined by the Board pursuant to the rules relating to the Share Award Scheme (as amended from time to time).

Subject to the scheme rules and the fulfilment of the vesting conditions as set out in the grant notice to each grantee, the awarded shares held by the trustee shall vest in the respective grantee, and the trustee shall cause the awarded shares to be transferred to such grantee on the vesting date (or as soon as practicable after the vesting date), or the trustee shall effect the sale of such awarded shares at the prevailing market price on the Hong Kong Stock Exchange on behalf of the grantee and transfer the sale proceeds from the vested awarded shares (after deduction of applicable tax and other expenses) to the grantee on the vesting date (or as soon as practicable after the vesting date), in accordance with the terms of the scheme rules and the trust deed.

The movement of awarded shares granted but not vested (subject to certain vesting conditions) under the Share Award Scheme during the financial year were as follows:

Name or category of participant	Number of awarded shares					
	As at 1 January 2020	Granted during the year	Vested during the year	Lapsed during the year	Cancelled during the year	As at 31 December 2020
Director						
Mr. Lai Shixian	1,000,000	–	(200,000)	–	–	800,000
Employees other than Director (including ex-employees)						
In aggregate	10,170,000	890,000	(1,855,667)	(1,246,333)	–	7,958,000
Total	11,170,000	890,000	(2,055,667)	(1,246,333)	–	8,758,000

The weighted average value per awarded share granted during the financial year was HKD86.75 and the fair value was measured based on the market price of the Company's shares at the respective grant date. No expected dividends were incorporated into the measurement of fair value. Information on the accounting policy for the grant of awarded shares is provided in the accounting policy (T)(ii) on page 164.

Corporate Governance

For the year ended 31 December 2020, save as disclosed in the Corporate Governance Report on pages 79 to 103 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.

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 2020 and at any time up to the latest practicable date.

Auditor

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

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 24 March 2021

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 Appendix 14 to the Listing Rules (the "Code") during the financial year. The Company regularly reviews its corporate governance practices to ensure its continuous compliance.

(A) The Board of Directors and Board Committees

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, risk management and internal control systems, and monitoring of the performance of management team. The Directors make decisions objectively in the interests of the Company. Currently, the Board comprises 9 Directors, including 5 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors, and the composition of the Board and the Board Committees are as follows:

Executive Directors

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

Non-Executive Director

Mr. Wang Wenmo

Independent Non-Executive Directors

Mr. Dai Zhongchuan
Mr. Yiu Kin Wah Stephen
Mr. Lai Hin Wing Henry Stephen (appointment effective from 1 November 2020)

Audit Committee

Mr. Yiu Kin Wah Stephen *(Chairman)*
Mr. Dai Zhongchuan
Mr. Lai Hin Wing Henry Stephen

Remuneration Committee

Mr. Dai Zhongchuan *(Chairman)*
Mr. Lai Hin Wing Henry Stephen
Mr. Ding Shizhong

Nomination Committee

Mr. Lai Hin Wing Henry Stephen *(Chairman)*
Mr. Yiu Kin Wah Stephen
Mr. Lai Shixian

Risk Management Committee

Mr. Yiu Kin Wah Stephen *(Chairman)*
Mr. Dai Zhongchuan
Mr. Lai Shixian

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

During the financial year, Mr. Mei Ming Zhi has tendered his resignation as an Independent Non-Executive Director with effect from 1 November 2020 due to the need to focus on his other businesses. Mr. Mei has confirmed that there was no disagreement with the Board and there was no matter relating to his resignation that needs to be brought to the attention of the shareholders of the Company or Hong Kong Stock Exchange. The Board would like to express its sincere gratitude to Mr. Mei for his invaluable contributions to the Company during the tenure of his service as an Independent Non-Executive Director.

Mr. Lai Hin Wing Henry Stephen has been appointed as an Independent Non-Executive Director by the Board to fill a casual vacancy with effect from 1 November 2020. Mr. Lai is a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia and a partner and co-chairman of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practicing in the legal field for more than thirty years. Mr. Lai has extensive experience in the work of listed companies. He also served as the chairman of the Hong Kong Institute of Directors. In considering the appointment of Mr. Lai, the Board, with assistance and recommendation from Nomination Committee, has reviewed the structure, size, composition and diversity of the Board from a number of aspects, including but not limited to the professional experience, skills and expertise, that Mr. Lai can bring. The Board has reviewed the qualification and assessed the independence of Mr. Lai, and the Board is not aware of any circumstance that might influence Mr. Lai in exercising independent judgment, and is satisfied that he has the required character, integrity, independence and experience to fulfill the role of Independent Non-Executive Director and he will be able to maintain an independent view of the Group's affairs.

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

The Board's Roles and Responsibilities

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

- formulating, updating and refining the Group's strategy and business objectives;
- evaluating the management on the implementation progress to monitor the Group's businesses against plan and budget;
- approving any major acquisitions and disposals, formation of joint ventures and capital transactions, and any other transactions in accordance with the Listing Rules and other regulations;
- overseeing the management of the Group's relationships with stakeholders;
- reviewing the policies and monitor the implementations in relation to corporate governance, internal controls, risk management and sustainability practices;
- approving the Group's quarterly, interim and annual financial statements, applicable results announcements and any other related documents;
- considering the distributions of interim and final dividends (if any);
- evaluating the performances of the Board and the Board Committees annually; and
- providing all Board Committees with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Executive Directors and Management's Roles and Responsibilities

The principal responsibilities of the Executive Directors and management include, but are not limited to, the following:

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

Delegation by the Board

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

Chairman and Chief Executive Officer

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

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

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

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

Under code provision 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 were performed by Mr. Ding Shizhong. With Mr. Ding's extensive experience in sportswear consumer markets, he is responsible for the overall strategic planning and business development of the Group. The Board considers that vesting both of the roles of Chairman and 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 management and the Board, which comprises experienced and high caliber individuals. The Board currently comprises 5 Executive Directors, 1 Non-Executive Director and 3 Independent Non-Executive Directors and therefore has a strong independence element in its composition.

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

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

Directors' and Officers' Insurance

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

Appointments, Retirement and Re-election of Directors

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

Each of the Executive Directors and Non-Executive Directors (including Independent Non-Executive Directors) of the Company has entered into a service contract with the Company for a specific term. 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. Also, at each AGM one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at an AGM at least once every 3 years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the AGM at which he retires. When an Independent Non-Executive Director proposed for re-election has served the Company for more than 9 years, his re-election would be subject to a separate resolution to be approved at the AGM.

Directorship Commitments

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

Non-Executive Directors

Non-executive directors are of sufficient caliber and number for their views to carry weight. As board members with equivalent role, Non-Executive Directors (including Independent Non-Executive Directors) can give the Board and any Board Committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. Non-Executive Directors (including Independent Non-Executive Directors) can make a positive contribution to the development of the Company's strategy and policies through independent, constructive and informed comments.

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

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

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

Independent Non-Executive Directors

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

The Company has received annual confirmations of independence from each of the existing Independent Non-Executive Directors in accordance with Rule 3.13 of the Listing Rules. Nomination Committee has assessed the independence of all the Independent Non-Executive Directors, and the Board and Nomination Committee consider that all the Independent Non-Executive Directors are independent in accordance with the Listing Rules.

Mr. Dai Zhongchuan has been appointed as an Independent Non-Executive Director since April 2009 and has served the Company for more than 9 years. During the tenure of office, Mr. Dai had performed his duties as an Independent Non-Executive Director to the satisfaction of the Board. After taking into account all the factors for assessing independence as set out in Rule 3.13 of the Listing Rules and considering his annual confirmation of independence to the Company and the assessment by Nomination Committee, the Board is of the opinion that Mr. Dai maintains his independence notwithstanding the length of his service and believes that his valuable knowledge and extensive experience continue to generate significant contribution to the Board, the Company and the Shareholders as a whole. The Board further considers Mr. Dai is still capable of bringing a valuable and different perspective and independent judgment to bear on issues of strategy, performance, accountability, key appointments and standards of conduct.

Currently, none of the Independent Non-Executive Directors, individually, held directorships in 7 or more listed public companies (including the Company).

During the financial year, the Chairman held a meeting with all the Independent Non-Executive Directors (without the presence of other Directors) to discuss matters including competitive analysis on the Group's strategy, review of the measures taken for the Pandemic and other matters that Independent Non-Executive Directors were concerned.

Nomination Policy

Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to the Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies. The committee may, as it considers appropriate, nominate such number of candidates to be appointed or re-appointed at a general meeting, or the number of casual vacancies to be filled.

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

- reputation for integrity;
- experience in sportswear industry and/or business strategy, management, legal and financial aspects;
- ability to assist the Board in effective performance of its responsibilities;
- the perspectives and skills that the proposed candidate is expected to bring to the Board;
- diversity in all its aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- commitment in respect of available time and relevant interest; and
- in the case of selection for Independent Non-Executive Directors, the independence of the proposed candidate.

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

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

Board Diversity Policy

The Board adopted a 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. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company endeavors to pursue an all-round diverse Board in various aspects and will carry out ongoing review of its board composition. 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. In designing the Board's composition, the Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision shall be based on merit and contribution that the selected candidates shall bring to the Board.

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

Name		Mr. Ding Shizhong	Mr. Ding Shijia	Mr. Lai Shixian	Mr. Wu Yonghua	Mr. Zheng Jie	Mr. Wang Wenmo	Mr. Dai Zhongchuan	Mr. Yiu Kin Wah Stephen	Mr. Lai Hin Wing Henry Stephen
Gender		Male	Male	Male	Male	Male	Male	Male	Male	Male
Age		50	56	46	50	52	64	55	60	64
Length of service of the Board		13 years	13 years	13 years	13 years	11 years	13 years	11 years	2.5 years	2 months
Skills, knowledge & professional experience	(a) Accounting & finance			✓					✓	
	(b) Business development	✓			✓	✓				
	(c) Brand management	✓			✓	✓				
	(d) Capital market			✓					✓	✓
	(e) Corporate responsibility/ sustainability	✓		✓						
	(f) Corporate strategy and planning	✓				✓				
	(g) Executive management and leadership skills	✓	✓	✓	✓	✓	✓	✓	✓	✓
	(h) Investor relations			✓						
	(i) Legal			✓				✓		✓
	(j) Manufacturing		✓				✓			
	(k) Other listed board experience/role			✓				✓	✓	✓
	(l) Operational management	✓	✓	✓	✓	✓	✓			
	(m) Risk management			✓				✓	✓	
	(n) Sales and marketing	✓			✓	✓				
	(o) Supply chain management		✓	✓			✓			
	(p) Treasury management			✓						

Having reviewed the Board composition, Nomination Committee (and the Board) recognises the importance and benefits of gender diversity at the Board level and shall continue to take initiatives to identify female candidate(s) to enhance the gender diversity among the Board members.

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 committee will continue to give adequate consideration to these measurable objectives when making recommendations of candidates for appointment to the Board.

Remuneration of Directors and Senior Management

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 and senior management, market rates and factors such as individual workload and required commitment are 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 Directors and senior management. At the same time, remuneration levels shall be sufficient to attract and retain Directors and senior management to run the Company successfully without paying more than necessary.

The Company has adopted the model ascribed in Code Provision B.1.2(c)(i) whereby Remuneration Committee determines, with delegation from the Board, the remuneration packages of individual Executive Directors and senior management.

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

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

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

Training and Support for Directors

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

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

Directors	Reading materials in relation to legal, regulatory & industry updates	Briefing and updates on business and operation	Training/ Seminars	Other professional developments
Executive Directors				
Mr. Ding Shizhong	✓	✓	✓	✓
Mr. Ding Shijia	✓	✓	✓	✓
Mr. Lai Shixian	✓	✓	✓	✓
Mr. Wu Yonghua	✓	✓	✓	✓
Mr. Zheng Jie	✓	✓	✓	✓
Non-Executive Director				
Mr. Wang Wenmo	✓	✓		
Independent Non-Executive Directors				
Mr. Dai Zhongchuan	✓	✓	✓	✓
Mr. Yiu Kin Wah Stephen	✓	✓	✓	✓
Mr. Mei Ming Zhi (resignation with effect from 1 November 2020)	✓	✓	✓	✓
Mr. Lai Hin Wing Henry Stephen (appointment with effect from 1 November 2020)	✓	✓	✓	✓

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 (ir.anta.com) and Hong Kong Stock Exchange (www.hkexnews.com). 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. Full details of the committees' work are disclosed in the relevant sections for each of the Board Committees.

Audit Committee

Audit Committee is responsible for ensuring 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 external auditor and internal auditor of the Group, etc. Audit Committee meets regularly with the Company's external auditor to discuss the audit process and accounting issues (and in the absence of management if appropriate). Also, 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 (with relevant authorities) to Audit Committee.

Currently, members of Audit Committee comprise Mr. Yiu Kin Wah Stephen (chairman), Mr. Dai Zhongchuan and Mr. Lai Hin Wing Henry Stephen, all of whom are Independent Non-Executive Directors.

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

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and on any questions of its resignation or dismissal;
- approving the remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- monitoring the engagements of external auditor to supply any non-audit services, and identify and make recommendations on any related matters where action or improvement is needed;
- acting as the key representative body for overseeing the Company's relations with the external auditor;
- monitoring integrity of the Company's and the Group's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them;
- considering any significant or unusual items that are, or may need to be, reflected in the report and accounts;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter (if any), any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditor's management letter;
- giving due consideration to any matters that have been raised by the Group's staff responsible for the accounting and financial reporting function, compliance officer or auditors;
- ensuring the arrangements that employees of the Group can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters;
- ensuring proper arrangements for fair and independent investigation and for appropriate follow-up action;
- establishing and implementing the whistleblowing policy and system for employees and those who deal with the Group (e.g. customers and suppliers) to raise concerns, in confidence;
- developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of Directors and senior management;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors;
- reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements; and
- reviewing the Company's compliance with the Code and disclosure in the its Corporate Governance Report.

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

- considering the annual results of the Group for the year ended 31 December 2019 for the approval by the Board;
- considering the interim results of the Group for the 6 months ended 30 June 2020 for the approval by the Board;
- approval of external auditor's scope, plan and fees of the annual audit and the interim review;
- meeting with the external auditor and discussing their major findings in the annual audit and the interim review;

- reviewing the reports prepared by the external auditor relating to the annual audit and the interim review;
- considering the effectiveness of the external auditor, giving due consideration to the quality and contents of their reports to the committee, feedback from management and compliance with relevant regulatory, professional requirements and their independence;
- considering the safeguard of external auditor's objectivity and independence in proposed engagement in respect of audit-related and permissible non-audit services;
- recommendation of the re-appointment of external auditor for Shareholders' approval in AGM;
- reviewing the Company's current corporate governance policy and practice;
- reviewing the Company's compliance with the Code and other legal and regulatory requirements; and
- reviewing the disclosure in the corporate governance report.

Remuneration Committee

Remuneration Committee is responsible for making recommendations to the Board on the 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 Remuneration Committee to ensure that their remuneration and compensation are reasonable. Remuneration Committee consults the Chairman and/or Chief Executive Officer about their remuneration proposals for other Executive Directors, and accesses to independent professional advice if necessary. The compensation amounts of the Directors are reviewed on an annual basis, having regard to the individuals' qualifications, experience, responsibilities and comparable market benchmarks and by taking into consideration salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

Currently, members of Remuneration Committee comprise Mr. Dai Zhongchuan (chairman), Mr. Lai Hin Wing Henry Stephen, both being Independent Non-Executive Directors, and Mr. Ding Shizhong, an Executive Director.

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

- making recommendations to the Board on the Company's policy and structure for remuneration of all Directors of the Company and senior management of the Group and on the establishment of a formal and transparent procedure for developing remuneration policy;
- determining, with delegation from the Board, the remuneration packages of individual Executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- making recommendations to the Board on the remuneration of Non-Executive Directors (including Independent Non-Executive Directors);
- reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and the Company's objectives approved by the Board from time to time;
- reviewing and approving compensation payable to Executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

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

- reviewing the remuneration packages of the Executive Directors and senior management for the year ended 31 December 2019;
- review and approval of the grant of an aggregate of 890,000 awarded shares under Share Award Scheme; and
- recommendation on the remuneration packages of Mr. Lai Hin Wing Henry Stephen as an Independent Non-Executive Director to the Board for approval.

Nomination Committee

Nomination Committee is responsible for determining the nomination policy and 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. In identifying suitable candidates, Nomination Committee considers candidates on merit and against the objective criteria, with due regard for the benefits of diversity on the Board (Details of which are set out in the section entitled “Nomination Policy” above). Nomination Committee also reviews the structure, size and composition of the Board (Details of which are set out in the section entitled “Board Diversity Policy” above) and assesses the independence of the Independent Non-Executive Directors (Details of which are set out in the section entitled “Independent Non-Executive Directors” above).

Currently, members of Nomination Committee comprise Mr. Lai Hin Wing Henry Stephen (chairman), Mr. Yiu Kin Wah Stephen, both being Independent Non-Executive Directors, and Mr. Lai Shixian, an Executive Director.

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

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

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

- annual review on the structure, size and diversity of the Board,
- reviewing the existing Nomination Policy and Board Diversity Policy, and the implementations,
- assessment on the independence of Independent Non-Executive Directors and review of the annual confirmations on their independence,
- review of the re-appointment of Directors who retired from office by rotation at the past AGM and offered themselves for re-election; and
- recommendation of the appointment of Mr. Lai Hin Wing Henry Stephen as an Independent Non-Executive Director to the Board for approval.

Risk Management Committee

Risk Management Committee, being delegated (with relevant authorities) by the Board, is responsible for evaluating and determining the nature and extent of the risks the Board is willing to take in achieving the Group's strategic objectives, ensuring that the Group has established and maintains appropriate and effective risk management and internal control systems, and overseeing management in the design, implementation and monitoring of the risk management and internal control systems.

Currently, members of Risk Management Committee comprise Mr. Yiu Kin Wah Stephen (chairman), Mr. Dai Zhongchuan, both being Independent Non-Executive Directors, and Mr. Lai Shixian, an Executive Director.

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

- overseeing the Group's risk management and internal control systems on an ongoing basis;
- conducting an annual review of the effectiveness of the Group's risk management and internal control systems (including financial controls);
- ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions during the annual review;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
- ensuring co-ordination between the internal audit department and external auditor, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Group, and reviewing and monitoring its effectiveness;
- reviewing the regular reports by the internal audit department, including any findings of substantial contract review and non-compliance or irregularity matters; and
- advising the Board on the Group's risk management principle and other risk related matters (including corporate actions and suggested strategic transactions, such as business combinations, acquisitions and disposals, substantial investments, discloseable transactions as defined under the Listing Rules and other major transactions).

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

- annual review of the effectiveness of the risk management and internal control systems for the financial year of 2019, including consideration of the adequacy of resources, staff qualifications and experience of the Group's financial reporting function and internal audit function;
- approval of the annual audit plan provided by the internal audit department;
- reviewing the quarterly reports from the internal audit department and assessing the findings of substantial contract review and non-compliance or irregularity matters (if any);
- review of the effectiveness of the Group's internal audit function;
- review of the results of the internal audit and internal control review by the internal audit department with regard to continuing connected transactions; and
- assessment of the risks of certain transactions for the approval of the Board.

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

Annual Evaluation for the Board and Board Committees

The Company undertakes a performance evaluation of the Board and Board Committees internally on an annual basis. In March 2021, the Board, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee underwent an annual evaluation of their effectiveness and performance with regard to the financial year ended 31 December 2020.

The results of the evaluation were that the Board and all Board Committees were found to be operating effectively, there is nothing significant affecting the Board or the Board Committees performance and there is no material issue needed for further discussion. Reporting of matters by all the Board Committees to the Board were found to be clear and adequate. All Directors are satisfied that the Board and Board Committees have the right mix of expertise, experience and skills.

Meetings

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

The attendance of individual Directors at The Board and Board Committee 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 2020	6	2	1	1	4
Executive Directors					
Mr. Ding Shizhong	6/6	–	1/1	–	–
Mr. Ding Shijia	6/6	–	–	–	–
Mr. Lai Shixian	6/6	–	–	1/1	4/4
Mr. Wu Yonghua	6/6	–	–	–	–
Mr. Zheng Jie	6/6	–	–	–	–
Non-Executive Director					
Mr. Wang Wenmo	6/6	–	–	–	–
Independent Non-Executive Directors					
Mr. Dai Zhongchuan	6/6	2/2	1/1	1/1	4/4
Mr. Yiu Kin Wah Stephen	6/6	2/2	1/1	1/1	4/4
Mr. Mei Ming Zhi (resignation with effect from 1 November 2020)	5/5	2/2	–	–	–
Mr. Lai Hin Wing Henry Stephen (appointment with effect from 1 November 2020)	1/1	–	–	–	–

All Directors have the opportunity to include matters in the agenda for Board meetings. Sufficient notice of not less than 14 calendar days is given for regular meetings to all Directors enabling them to attend, and reasonable notice would be given in case of other Board meetings. The Company provides the Board and the Board Committees with adequate, complete and reliable information, in a timely manner, to enable them to make informed decisions. All Directors (and Board Committee members (if applicable)) are provided with relevant materials relating to the matters brought before the meetings at least 3 days in advance. All Directors do not, in all circumstances, rely purely on information provided voluntarily by management. Where any Director requires more information than is volunteered by the Company, he can make further enquiries where necessary. The Board and individual Directors have separate and independent access to the Company's senior management. All Directors can retain independent professional advisors if necessary, at the Company's expenses. They also have access to the advice and services of the company secretary, who is responsible for preparing the agenda for each Board (and Board Committees) meeting and ensuring the procedures and all applicable law, rules and regulations are followed. Where queries are raised by Directors, steps would be taken by the Company to respond as promptly and fully as possible. Draft and final versions of Board and Board Committee meeting minutes would be sent to the Directors and Board Committee members for comment (before sign-off) and for their records, within a reasonable time after the meeting. All Directors are entitled to have access to Board papers and related materials. These papers and related materials are in a form and quality sufficient to enable the Board to make informed decisions on matters placed before it.

Conflict of Interest

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

Company Secretary

The company secretary of the Company plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Any selection, appointment or dismissal of the company secretary would be approved by the Board. The company secretary is responsible for advising the Board through the Chairman and/or the Chief Executive Officer on governance matters and facilitating induction and professional development of Directors. The company secretary reports to the Chairman and Chief Executive Officer. All Directors have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Mr. Tse Kin Chung is the company secretary of the Company. He is a full time employee of the Group and has good knowledge of the Company's affairs. During the financial year, Mr. Tse 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 and Audit

Financial Reporting

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

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

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

External Auditor's Remuneration

KPMG has been appointed as the Company's external auditor since 2004. 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 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 (other than joint venture) was RMB9,068,000 (2019: RMB8,754,000). Fees for non-audit services for the financial year comprise service charges for the following:

	2020 RMB'000	2019 RMB'000
Review of interim results	**1,843**	2,180
Tax advisory and compliance (service rendered by other member firm(s))	**1,461**	1,795
Risk management and Internal control review (service rendered by other member firm(s))	**600**	630
ESG reporting advisory (service rendered by other member firm(s))	**430**	447
Other non-audit services	**120**	200
Total	**4,454**	5,252

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

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 department 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 Department

- reviews the adequacy and effectiveness of the Group's risk management and internal control systems; and
- reports to Risk Management Committee the findings of the review and makes recommendations 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 and Board Committees regularly.

Internal Audit Function

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

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

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

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

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

Annual Review of Effectiveness of Risk Management and Internal Control Systems

The Board and Risk Management Committee oversee the Group's risk management and internal control systems on an ongoing basis, and conduct annual review of the effectiveness of the Group's risk management and internal control systems. The annual review covers all material controls, including financial, operational and compliance controls for the financial year ended 31 December 2020.

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

- the changes, since the last annual review, in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the internal control systems;
- the extent, frequency and effectiveness of communication of monitoring results;
- the effectiveness and the quality of work of the internal audit function;
- significant control failings or weaknesses that have been identified during the financial year (if any);
- in respect of any failings or weaknesses identified, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition; and
- the effectiveness of the Group's processes for financial reporting and Listing Rule compliance.

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

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

Based on the effectiveness confirmation provided by the management, the regular reports of the internal audit department and the assessment report of KPMG Advisory (China) Limited, the Board and Risk Management Committee concluded that the risk management and internal control systems of the Group for the financial year were effective and adequate.

Whistleblowing Policy

The Group is committed to achieving and maintaining the 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 Audit Committee and the Board about possible improprieties relating to the Group. The identity of the whistleblower would be treated with the strictest confidence.

The whistleblowing system established under the policy is intended:

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

The whistleblowing policy is applicable to all employees of the Group and to those who deal with the Group (e.g. a customer or a supplier of the Group). Under the whistleblowing system, whistleblower should make a report to raise his concerns to the chairman of Audit Committee or to the Chairman (collectively the "Ethics Officer"). Persons making a report should exercise due care in ensuring accuracy of the information they report to the Ethic Officer. If the report concerns the chairman of Audit Committee or a member of Audit Committee, the whistleblower should raise his concerns to the Chairman; if the report concerns the Chairman, the person should raise his concerns to the chairman of Audit Committee. When making a report, details and supporting evidence (where available) should be provided to the Ethics Officer. Upon receiving the report, the Ethics Officer or such other person as designated by the Ethics Officer shall gather information and conduct preliminary verification, and then discuss the report with Audit Committee (unless the report concerns Audit Committee) to evaluate if an investigation is warranted. If an investigation is considered necessary, the Ethics Officer or such other person as designated by Audit Committee shall conduct an investigation to establish whether any misconduct has occurred. The format of the investigation may vary depending upon the circumstances. The Ethics Officer or such other person as designated by the Ethics Officer shall report findings of an investigation to Audit Committee. On the basis of the findings, Audit Committee shall make recommendations to the Board on actions to be taken. If the investigation concerns the Audit Committee, findings of the investigation shall be reported to the Chairman. Where there is evidence of a possible criminal offence, the matter may be referred to the relevant authorities for further actions. The outcome of the investigation will, to the extent permitted by law, be informed to the whistleblower under the whistleblowing policy.

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, Securities and Futures Ordinance and applicable laws and regulations of the Cayman Islands and Hong Kong, including the "Inside Information" related legislation. 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, Communications with Shareholders and Investor Relations

Shareholders Information

The Company analyses its shareholding structure on a regular basis, including a review of the register of institutional and retail investors, to keep track of changes in shareholdings by type of investors. A shareholding register analysis conducted as at 31 December 2020 revealed the shareholding structure as follows:

Shareholders by Domicile

	% of Total Issued Shares
Hong Kong	67.4
North America	9.4
China	9.1
United Kingdom	4.5
Europe (ex-United Kingdom)	2.4
Singapore	0.8
Rest of the World	6.4
Total	100

The public float capitalisation at 31 December 2020 was RMB108,711 million, representing 38.58% of the market capitalisation of the Company.

Shareholders' Rights

Enquiries to the Board

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

General Meetings

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

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

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

General meeting proceedings are reviewed from time to time to ensure that the Company follows best corporate governance practices. The notice of AGM would be 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 notice of all other general meetings would be sent at least 10 clear business days prior to the meeting. The chairman of a general meeting would exercise his power under the articles of association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll would be explained and questions from Shareholders on voting by poll would be answered at the meeting. Voting results would be posted on the websites of the Company and Hong Kong Stock Exchange on the day of the general meeting.

The 2020 AGM was held at Regus Business Centre, 35/F, Central Plaza, 18 Harbour Road, Wan Chai, Hong Kong on 11 May 2020. Certain measures were taken to prevent and control the Pandemic, including:

- compulsory body temperature checks and health declarations;
- recommended wearing of surgical face masks; and
- no distribution of corporate gift and no serving of refreshment.

All of the Directors (except Mr. Lai Hin Wing Henry Stephen who was appointed with effect from 1 November 2020) attended the AGM to gain and develop a balanced understanding of the views of the Shareholders. The attendance record of the Directors at the AGM is set out below:

	AGM
Executive Directors	
Mr. Ding Shizhong	1/1
Mr. Ding Shijia	1/1
Mr. Lai Shixian	1/1
Mr. Wu Yonghua	1/1
Mr. Zheng Jie	1/1
Non-Executive Director	
Mr. Wang Wenmo	1/1
Independent Non-Executive Directors	
Mr. Dai Zhongchuan	1/1
Mr. Yiu Kin Wah Stephen	1/1
Mr. Mei Ming Zhi	1/1

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

- approval of audited consolidated financial statements of the Company for the year ended 31 December 2019;
- declaration of a final dividend of HK36 cents per ordinary shares of the Company in respect of the year ended 31 December 2019;
- re-election and re-appointment of Mr. Lai Shixian, Mr. Wu Yonghua and Mr. Wang Wenmo as Directors of the Company;
- re-appointment of KPMG as the Company's auditors; and
- approval of Issue Mandate, Repurchase Mandate and Extension Mandate (as defined in the circular of the Company dated 6 April 2020).

At the AGM, all resolutions were voted by way of poll. Computershare Hong Kong Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office, acted as the scrutineer for the vote-taking at the AGM. More than 50% of the votes were cast in favour of each of the resolutions, all resolutions were duly passed as ordinary resolutions of the Company. The Company announced the results of the poll on the websites of Hong Kong Stock Exchange and the Company in accordance with the Listing Rules on the same date.

No other general meeting was held during the financial year.

Convening Extraordinary General Meeting(s)

Shareholders holding not less than one-tenth of the paid up capital of the Company can make a written requisition to the Board or the company secretary to convene an extraordinary general meeting 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 shareholders 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. The requisition may consist of several documents in like form and may include the text of a resolution that may properly be moved and is intended to be moved at the extraordinary general meeting.

Such extraordinary general meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionists themselves may convene an extraordinary general meeting in the same manner, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Board would be reimbursed to the requisitionists by the Company.

Procedure for Shareholders to Propose a Person for Election as Director

Pursuant to article 88 of the Company's articles of association if a Shareholder wishes to propose a person, other than a retiring Director or a person recommended by the Board, for election as a Director at a general meeting, such Shareholder (other than the person to be proposed), who is duly qualified to attend and vote at such general meeting, should lodge a written and signed notice of nomination and a notice signed by the person to be proposed of his willingness to be elected at the head office of the Company at Dongshan Industrial Zone, Chidian Town, Jinjiang City, Fujian Province, the People's Republic of China, Postal Code: 362212 or at the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The notices should be given within the period commencing on the day after dispatch of the notice of the general meeting appointed for such election and ending no later than 7 days prior to the date of such general meeting and such period shall be at least seven 7 days.

Putting Forward Proposals at General Meetings

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. The constitutional document of the Company was published on the Company's investor relations website (ir.anta.com) and Hong Kong Stock Exchange's website (www.hkexnews.hk).

Dividend Policy

The Company seeks to maintain a balance between meeting Shareholders' expectations and prudent capital management with a sustainable dividend policy. The Company's dividend policy aims to allow Shareholders to participate in the Company's profit and for the Company to retain adequate reserves for future growth. Under the dividend policy, provided the Group is profitable and without affecting the normal operations of the Group, the Company may declare and pay dividends to the Shareholders.

In proposing any dividend payout, the Company would consider various factors including:

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

- general economic and financial conditions, business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

- any other factors that the Board deem appropriate.

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

Shareholders' Communication Policy

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

The Board shall maintain an on-going dialogue with Shareholders and the investment community, and would regularly review the policy to ensure its effectiveness. Information shall be communicated to Shareholders and the investment community mainly through the Company's financial reports (interim and annual reports), general meetings, as well as by making available all the disclosures submitted to Hong Kong Stock Exchange and its corporate communications and other corporate publications on the Company's website. Effective and timely dissemination of information to Shareholders and the investment community shall be ensured at all times.

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

The communication strategies under the shareholders' communication policy are as follows:

Shareholders' Enquiries

- shareholders may direct their questions about their shareholdings to the Company's share registrars;

- shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available; and

- shareholders and the investment community are provided with designated contacts, email addresses and enquiry lines of the Company in order to enable them to make any query in respect of the Company.

Corporate Communications

- corporate communication documents (including annual report, interim report, notice of meeting, circular and proxy form) would be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding. Shareholders have the right to choose the language (either English or Chinese) or means of receipt of the corporate communications (in hard copy or through electronic means); and

- shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Corporate Website

- information on the Company's investor relations website (ir.anta.com) is updated on a regular basis;
- information released by the Company to Hong Kong Stock Exchange would be also posted on the Company's investor relations website as soon as possible thereafter. Such information includes, but not limited to, financial statements, results announcements, ESG reports, circulars and notices of general meetings and associated explanatory documents;
- all presentation materials provided in conjunction with the Company's annual and interim results announcement will be made available on the Company's investor relations website as soon as practicable after their release;
- all investor relation press releases issued by the Company would be made available on the Company's investor relations website as soon as practicable after their releases; and
- webcasts of the Company's annual and interim results briefings will be made available on the Company's investor relations website as soon as practicable after the event.

Shareholders' Meetings

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

Investment Market Communications

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

Investor Relations

The Company believes that effective communication with the investment community in a timely manner through various media is essential. The Company's investor relations department focuses on provision of relevant public information to investors and analysts to enable them to make appropriate valuation of the Company's shares or any securities issued by the Group. Through regular briefings, investor conferences and roadshow, institutional investors and analysts can interact with the Chairman and other senior management for updates on the development of the Group's strategic initiatives and operations.

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

- small group/one-on-one meetings
- non-deal roadshows
- analyst briefings
- investor conferences

During the financial year, over 200 investor relations activities were conducted. As affected by the Pandemic, most of the investor relations activities were conducted via webcast/teleconferencing.

Investment community views are communicated regularly to the Board, including rating and target price of the Shares and summaries of questions and feedback from investors and analysts. During the financial year, investors' major areas of interest included:

- operational updates of the Group;
- the Group's operations and the joint venture's performance under the Pandemic;
- the Group's and the joint venture's development strategies;
- issuance of EUR1 billion zero coupon convertible bonds due 2025; and
- latest developments regarding the DTC model for ANTA brand business.

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

By order of the Board

Ding Shizhong
Chairman

Hong Kong, 24 March 2021

Executive Directors

Mr. Ding Shizhong (丁世忠), aged 50, is the Chief Executive Officer, an Executive Director and the Board Chairman of the Company. He is primarily responsible for the overall corporate strategies, planning and business development of the Group. He is the co-founder of the Group and has dedicated to expanding and promoting the Group's business and to developing China's sporting goods industry. In 2014 and 2018, he was awarded the title of Outstanding Contributor to the Building of Socialism with Chinese Characteristics, 2014 Chinese Business Leaders Annual Award, Top 40 Most Influential Entrepreneurs of Fujian in 40 years of the Chinese Economic Reform and 2018 China Top Ten Economic Person of the Year. He is holding the public offices of National People's Congress deputy, deputy chairman of China Sporting Goods Federation, vice president of Samaranch Foundation, vice president of Samaranch Foundation and member of the Chinese Olympic Committee. Mr. Ding is the younger brother of Mr. Ding Shijia and the brother-in-law of Mr. Lai Shixian, all of whom both are the Company's Executive Directors, and the cousin of Mr. Wang Wenmo, the Company's Non-Executive Director. He is also a director of Anta International, a substantial shareholder of the Company.

Mr. Ding Shijia (丁世家), aged 56, is an Executive Director and the Board Deputy Chairman of the Company. He is primarily responsible for the Group's supply chain management and manufacturing functions. He is the co-founder of the Group and has over 20 years of experience in the sporting goods industry in China. In 2002 and 2004, he was awarded the title of Eminent Young Entrepreneur of Quanzhou. From December 2011 to December 2016, Mr. Ding was Jinjiang City People's Congress standing committee member. Mr. Ding is the elder brother of Mr. Ding Shizhong and the brother-in-law of Mr. Lai Shixian, both are the Company's Executive Directors, and the cousin of Mr. Wang Wenmo, the Company's Non-Executive Director. He is also a director of Anta International, a substantial shareholder of the Company.

Mr. Lai Shixian (賴世賢), aged 46, is an Executive Director and Chief Financial Officer of the Company. He is primarily responsible for the Group's administrative and financial management functions. He joined the Group in March 2003 and has over 20 years of experience in administrative and financial management. Mr. Lai holds an EMBA degree from China Europe International Business School. From 2011 to 2017, Mr. Lai was a member of the Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Lai has been a standing committee member of the 12th Quanzhou Municipal Committee of the Chinese People's Political Consultative Conference, the vice president of Fujian Federation of Industry and Commerce (General Chamber of Commerce) and the vice chairman of Quanzhou City of Industry and Commerce (General Chamber of Commerce). Mr. Lai is the brother-in law of Mr. Ding Shizhong and Mr. Ding Shijia, both 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. Wu Yonghua (吳永華), aged 50, is an Executive Director of the Company and the CEO of the Performance Sports Brand Group. He is primarily responsible for various performance sports brands. He joined the Group in October 2003 and has over 20 years of experience in sales and marketing in China.

Mr. Zheng Jie (鄭捷), aged 52, is an Executive Director of the Company, Group President and the CEO of the Outdoor Sports Brand Group. He is primarily responsible for various outdoor sports brands and the Group's corporate strategy, international affairs and overall marketing matters. He joined the Group in October 2008 and has over 20 years of experience in the field of marketing management, including over 8 years in the China division of an international sportswear brand as the sales vice president and the general manager. Mr. Zheng holds a bachelor's degree in management science from Shanghai Fudan University. He is the co-chairman of the World Federation of The Sporting Goods Industry (WFSGI).

Non-Executive Director

Mr. Wang Wenmo (王文默), aged 64, is a Non-Executive Director of the Company and was the Company's Executive Director from June 2007 to February 2019. He joined the Group in June 2000 and has over 20 years of experience in the apparel industry. He was primarily responsible for the management of the Group's apparel operations. Mr. Wang is the cousin of Mr. Ding Shizhong and Mr. Ding Shijia, both of whom are the Company's Executive Directors.

Independent Non-Executive Directors

Mr. Dai Zhongchuan（戴仲川）, aged 55, is an Independent Non-Executive Director of the Company and joined the Board in April 2009. He holds a bachelor's degree and a master's degree in economics from the Xiamen University. He is currently a deputy officer of rule of country law research center of Huaqiao University. Mr. Dai has over 20 years of working experience in legal research and holds various posts in public services in legal and judiciary area, including a standing committee member of the Fujian Provincial People's Congress, a committee member of Legislative Council of the Fujian Provincial People's Congress, an arbitrator of Quanzhou Municipal Arbitration Commission and a standing committee member of National Committee of the Chinese People's Political Consultative Conference of Quanzhou. Mr. Dai was an independent director of Xingye Leather Technology Co., Ltd (stock code: 002674) listed on Shenzhen Stock Exchange from December 2013 to December 2019 , and Fujian Fengzhu Textile Science & Technology Co., Ltd (stock code: 600493) listed on Shanghai Stock Exchange from May 2013 to April 2019.

Mr. Yiu Kin Wah Stephen（姚建華）, aged 60, is an Independent Non-Executive Director of the Company and joined the Board in June 2018. He received a professional diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1983, and holds a master's degree in business administration from the University of Warwick in the United Kingdom. Mr. Yiu is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants of England and Wales. He is currently a non-executive director of the Insurance Authority, a member of the Exchange Fund Advisory Committee, a member of the Independent Commission Against Corruption Complaints Committee and a council member of The Hong Kong University of Science and Technology. Mr. Yiu is an independent non-executive director of Hong Kong Exchanges and Clearing Limited (stock code: 388) and China Mobile Limited (stock code: 941), both of which are listed on the Hong Kong Stock Exchange. Mr. Yiu joined the global accounting firm KPMG in Hong Kong in 1983 and was seconded to KPMG London, the United Kingdom from 1987 to 1989. Mr. Yiu became a partner of KPMG in 1994, served as the partner in charge of audit of KPMG from 2007 to 2010, and served as the chairman and chief executive officer of KPMG China and Hong Kong as well as a member of the executive committee and the board of KPMG International and KPMG Asia Pacific from April 2011 to March 2015. Mr. Yiu formerly also served as a member of the Audit Profession Reform Advisory Committee and the Mainland Affairs Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Lai Hin Wing Henry Stephen（賴顯榮）, aged 64, is an Independent Non-Executive Director of the Company and joined the Board in November 2020. He received a bachelor of law degree from The University of Hong Kong and was admitted as a solicitor in Hong Kong, England and Wales and the State of Victoria, Australia. Mr. Lai is a partner and co-chairman of Messrs. P. C. Woo & Co., a firm of solicitors and notaries in Hong Kong, and has been practicing in the legal field for more than thirty years. Mr. Lai is a Notary Public and a China Appointed Attesting Officer in Hong Kong. Mr. Lai is a non-executive director of Winfull Group Holdings Limited (stock code: 183) and China Medical & HealthCare Group Limited (stock code: 383), which are listed on the Hong Kong Stock Exchange.

Company Secretary

Mr. Tse Kin Chung（謝建聰）, aged 40, is the Company Secretary of the Company. He has over 15 years of experience in the field of auditing and financial management. He joined the Group in 2007 and is currently the financial controller of the Group, responsible for financial management, risk management, internal control and compliance matters. He obtained a bachelor's degree in accountancy from The Hong Kong Polytechnic University. He is also a member of the Hong Kong Institute of Certified Public Accountants.

Senior Management

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

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

KPMG

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 110 to 175, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020 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(a) to the consolidated financial statements on page 114 and the accounting policy (W)(i) on page 166.

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

<table>
<tr><td>We identified recognition of revenue of 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.</td><td>identifying significant credit notes issued and sales returns from the sales ledger after the reporting period end and inspecting relevant underlying documentation to assess if the related revenue had been accounted for in the correct accounting period in accordance with the requirements of the prevailing accounting standards;
obtaining external confirmations of the value of sales transactions for the reporting period and outstanding trade receivable balances as at the end of the reporting period directly from distributors, on a sample basis; and
inspecting a sample of journal entries, applying a risk-based approach, on revenue recognised during the reporting period, enquiring of management about the reasons for such entries and comparing the details of the entries with relevant underlying documentation.</td></tr>
<tr><td colspan="2">Valuation of inventories
Refer to note 18 to the consolidated financial statements on page 129 and the accounting policy (K) on page 162.</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group has adopted a new Direct to Consumer business model for the ANTA brand for certain regions in Mainland China during the reporting period, resulting in an increase in the overall inventory level of the Group.

Inventories are stated at the cost or the net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as write-down of inventories.

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

We identified the valuation of inventories as a key audit matter as significant management judgement is involved in determining the net realisable value of inventories.</td><td>Our audit procedures to assess the valuation of inventories included the following:
performing a retrospective review by comparing the carrying values of inventories as at 31 December 2019 with sales prices achieved during the reporting period to assess the reliability of management's judgement and whether there is any indication of management bias;
evaluating the historical accuracy of management's assessment of net realisable value of inventories by examining, on a sample basis, the sales and utilisation during the current reporting period;
enquiring of the management about any expected changes in plans for markdowns or disposals of off-season inventories and comparing, on a sample basis, the carrying value of inventories to actual prices for sales transactions subsequent to the end of reporting period;
evaluating the reasonableness of the percentages and other parameters adopted in the Group's policy on the net realisable value calculation by comparing the net realisable value with selling price achieved subsequent to the end of reporting period;
assessing, on a sample basis, whether items in the inventory ageing report were classified within the appropriate ageing bracket by comparing the individual items selected with the underlying records which indicated the product season of the item; and
assessing whether the net realisable value of inventories and the subsequent write-down of inventories (if any) at the end of reporting period were calculated in a manner consistent with the Group's policy by recalculating based on percentages and other parameters adopted and considering the application of the Group's policy with reference to the requirements of the prevailing accounting standards.</td></tr>
</table>

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

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

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

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

24 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	**2020 RMB'million**	2019 RMB'million
Revenue	1(a)	**35,512**	33,928
Cost of sales		**(14,861)**	(15,269)
Gross profit		**20,651**	18,659
Other net income	2	**1,389**	1,070
Selling and distribution expenses		**(10,766)**	(9,721)
Administrative expenses		**(2,122)**	(1,313)
Profit from operations		**9,152**	8,695
Net finance costs	3	**(462)**	(53)
Share of loss of a joint venture	16	**(601)**	(633)
Profit before taxation	4	**8,089**	8,009
Taxation	5	**(2,520)**	(2,385)
PROFIT FOR THE YEAR		**5,569**	5,624
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of operations outside Mainland China		**(44)**	64
Share of other comprehensive loss of a joint venture	16	**(302)**	(88)
Items that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income ("FVOCI")			
– net movement in fair value reserve (non-recycling)		**6**	25
Share of other comprehensive income of a joint venture	16	**9**	23
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,238**	5,648
PROFIT ATTRIBUTABLE TO:			
Equity shareholders of the Company		**5,162**	5,344
Non-controlling interests		**407**	280
PROFIT FOR THE YEAR		**5,569**	5,624
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity shareholders of the Company		**4,831**	5,368
Non-controlling interests		**407**	280
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**5,238**	5,648
		RMB cents	RMB cents
Earnings per share	8		
– Basic		**191.92**	198.70
– Diluted		**189.40**	198.51

The notes, significant accounting policies and principal subsidiaries on pages 114 to 175 form part of these financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 28.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Note	2020 RMB'million	2019 RMB'million
Non-current assets			
Property, plant and equipment	10	**2,184**	2,148
Right-of-use assets	11	**4,108**	3,237
Construction in progress	12	**545**	421
Prepayments for acquisition of land use rights and other non-current assets	13	**46**	53
Intangible assets	14	**1,579**	678
Investment in a joint venture	16	**9,658**	10,551
Other investments	17	**70**	64
Deferred tax assets	25(b)	**960**	746
Total non-current assets		**19,150**	17,898
Current assets			
Inventories	18	**5,486**	4,405
Trade receivables	19	**3,731**	3,896
Other current assets	19	**2,883**	2,412
Other investments	17	**270**	–
Pledged deposits	20	**1**	4
Fixed deposits held at banks with maturity over three months	20	**5,023**	4,382
Cash and cash equivalents	20	**15,323**	8,221
Total current assets		**32,717**	23,320
Total assets		**51,867**	41,218
Current liabilities			
Borrowings	21	**1,968**	2,559
Trade payables	22	**2,376**	2,963
Other current liabilities	22	**4,539**	4,621
Payable to non-controlling interests		**33**	–
Lease liabilities		**1,273**	1,018
Amounts due to related parties	31(b)	**19**	26
Current taxation	25(a)	**1,507**	1,225
Total current liabilities		**11,715**	12,412
Net current assets		**21,002**	10,908
Total assets less current liabilities		**40,152**	28,806
Non-current liabilities			
Borrowings	21	**12,456**	6,644
Payable to non-controlling interests		**99**	–
Lease liabilities		**1,246**	845
Deferred tax liabilities	25(b)	**527**	256
Total non-current liabilities		**14,328**	7,745
Total liabilities		**26,043**	20,157
Net assets		**25,824**	21,061
Equity			
Share capital	26	**261**	261
Reserves	27	**23,752**	19,821
Total equity attributable to equity shareholders of the Company		**24,013**	20,082
Non-controlling interests		**1,811**	979
Total liabilities and equity		**51,867**	41,218

The notes, significant accounting policies and principal subsidiaries on pages 114 to 175 form part of these financial statements.

Ding Shizhong
Chairman, Executive Director and Chief Executive Officer

Lai Shixian
Executive Director and Chief Financial Officer

Hong Kong, 24 March 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Note	Attributable to equity shareholders of the Company Share capital RMB'million	Reserves RMB'million	Total RMB'million	Non-controlling interests RMB'million	Total equity RMB'million
Balances as at 1 January 2019		259	15,518	15,777	743	16,520
Changes in equity for 2019:						
– Profit for the year		–	5,344	5,344	280	5,624
– Other comprehensive income for the year		–	24	24	–	24
Total comprehensive income for the year		–	5,368	5,368	280	5,648
Dividends approved in respect of the previous year	28(b)	–	(652)	(652)	–	(652)
Dividends declared in respect of the current year	28(a)	–	(764)	(764)	–	(764)
Shares issued under a subscription agreement	26	2	690	692	–	692
Shares purchased under share award scheme	24(b)	–	(445)	(445)	–	(445)
Shares issued under share option schemes	26	–	18	18	–	18
Equity-settled share-based payment transactions	27(f)	–	88	88	–	88
Capital contribution by non-controlling interests of subsidiaries		–	–	–	54	54
Dividends to non-controlling interests of subsidiaries		–	–	–	(98)	(98)
Balances as at 31 December 2019 and 1 January 2020		**261**	**19,821**	**20,082**	**979**	**21,061**
Changes in equity for 2020:						
– Profit for the year		**–**	**5,162**	**5,162**	**407**	**5,569**
– Other comprehensive loss for the year		**–**	**(331)**	**(331)**	**–**	**(331)**
Total comprehensive income for the year		**–**	**4,831**	**4,831**	**407**	**5,238**
Dividends approved in respect of the previous year	28(b)	**–**	**(903)**	**(903)**	**–**	**(903)**
Dividends declared in respect of the current year	28(a)	**–**	**(501)**	**(501)**	**–**	**(501)**
Shares purchased under share award scheme	24(b)	**–**	**(464)**	**(464)**	**–**	**(464)**
Shares issued under share option schemes	26	**–**	**21**	**21**	**–**	**21**
Equity-settled share-based payment transactions	27(f)	**–**	**324**	**324**	**–**	**324**
Issuance of convertible bonds	21(c)	**–**	**463**	**463**	**–**	**463**
Capital contribution by non-controlling interests of subsidiaries		**–**	**–**	**–**	**34**	**34**
Dividends to non-controlling interests of subsidiaries		**–**	**–**	**–**	**(77)**	**(77)**
Capital contribution-in-kind by non-controlling interests and dilution of interests in a subsidiary		**–**	**279**	**279**	**473**	**752**
Acquisition of partial interests in a subsidiary		**–**	**(119)**	**(119)**	**(5)**	**(124)**
Balances as at 31 December 2020		**261**	**23,752**	**24,013**	**1,811**	**25,824**

The notes, significant accounting policies and principal subsidiaries on pages 114 to 175 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 RMB'million	2019 RMB'million
Operating activities			
Profit before taxation		**8,089**	8,009
Adjustments for:			
– Depreciation of property, plant and equipment	10	**414**	389
– Depreciation of right-of-use assets	11	**1,589**	1,032
– Amortisation of intangible assets	14	**76**	48
– Dividend income	2	**(2)**	(1)
– Interest expenses	3	**407**	278
– Interest income	3	**(271)**	(168)
– Net loss on disposal of property, plant and equipment	2	**7**	3
– Gain on disposal of partial interests in a joint venture	2	**(14)**	(54)
– Impairment loss/(reversal of impairment loss) of trade receivables	4(b)	**6**	(13)
– Write-down of inventories	18(b)	**172**	34
– Share of loss of a joint venture	16	**601**	633
– COVID-19-related net concessions received	33	**(131)**	–
– Equity-settled share-based payment transactions	4(a)	**324**	88
– Net exchange loss/(gain)		**326**	(57)
Changes in working capital			
– Increase in inventories		**(1,253)**	(1,547)
– Increase in trade receivables and other current assets		**(304)**	(1,692)
– (Decrease)/increase in trade payables and other current liabilities		**(648)**	2,432
– (Decrease)/increase in amounts due to related parties		**(7)**	4
Cash generated from operations		**9,381**	9,418
Income tax paid		**(2,181)**	(2,133)
Interest received		**258**	200
Net cash generated from operating activities		**7,458**	7,485
Investing activities			
Payments for purchase of property, plant and equipment		**(424)**	(350)
Payments for construction in progress		**(225)**	(162)
Payments of prepayments for acquisition of land use rights		**–**	(494)
Payments for purchase of intangible assets		**(84)**	(56)
Payments for leasehold land		**(118)**	(24)
Net (payments of)/proceeds from other investments		**(287)**	625
Placements of pledged deposits		**–**	(2)
Uplift of pledged deposits		**3**	1,447
Placements of fixed deposits held at banks with maturity over three months		**(13,458)**	(5,044)
Uplift of fixed deposits held at banks with maturity over three months		**12,385**	1,806
Payment for investment in a joint venture		**–**	(11,707)
Proceeds from disposal of partial interests in a joint venture	16	**235**	863
Other cash flows derived from investing activities		**50**	33
Net cash used in investing activities		**(1,923)**	(13,065)
Financing activities			
Drawdowns of new bank loans	20(b)	**964**	7,733
Repayments of bank loans	20(b)	**(4,307)**	(1,298)
Payments of interest expense on bank loans	20(b)	**(152)**	(110)
Net (repayments of)/proceeds from bills of exchange	20(b)	**(200)**	731
Net proceeds from issuance of convertible bonds	20(b)	**7,678**	–
Net proceeds from issuance of medium term notes	20(b)	**998**	–
Payments of lease liabilities	20(b)	**(1,699)**	(1,160)
Proceeds from shares issued under share option schemes	26	**21**	18
Net proceeds from shares issued under a share subscription agreement	26	**–**	692
Payments for shares purchased under share award scheme	24(b)	**(464)**	(445)
Dividends paid to equity shareholders of the Company	28	**(1,404)**	(1,416)
Dividends paid to non-controlling interests of subsidiaries		**(77)**	(98)
Payment for acquisition of partial interests in a subsidiary		**(124)**	–
Other cash flows derived from financing activities		**(5)**	23
Net cash received from financing activities		**1,229**	4,670
Net increase/(decrease) in cash and cash equivalents		**6,764**	(910)
Cash and cash equivalents as at 1 January		**8,221**	9,284
Effect of foreign exchange rate changes		**338**	(153)
Cash and cash equivalents as at 31 December	20(a)	**15,323**	8,221

The notes, significant accounting policies and principal subsidiaries on pages 114 to 175 form part of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

1. Revenue and Segment Reporting

(a) Revenue

The principal activities of the Group are branding, production, design, procurement, supply chain management, wholesale and retail of branded sporting goods including footwear, apparel and accessories. The Group also has an investment in a joint venture, the principal activity of which is operating Amer Sports business, as detailed in note 16.

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

Revenue represents the sales value of goods sold less returns, discounts, rebates and value added tax. Disaggregation of revenue from contracts with customers by product categories is as follows:

	2020 RMB'million	2019 RMB'million
Footwear	**12,700**	11,410
Apparel	**21,671**	21,398
Accessories	**1,141**	1,120
	35,512	33,928

For the year ended 31 December 2020, there was no customer with whom transactions have exceeded 10% of the Group's revenue (2019: Nil).

1. Revenue and Segment Reporting (Continued)

(b) Segment reporting

Chief Executive Officer and senior management team are the Group's chief operating decision-makers (the "CODMs"). The CODMs review the Group's internal reports periodically in order to assess performance and allocate resources from a brand perspective. Consistent with the way in which information is reported internally to the CODMs, the Group has presented two reportable segments of ANTA brand and FILA brand, respectively. Other than the two reportable segments, all other operating segments have been aggregated and presented as "all other brands". The segment information for the reporting period is as follows:

	ANTA brand		FILA brand		All other brands		Total	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
	RMB'million	RMB'million	**RMB'million**	RMB'million	**RMB'million**	RMB'million	**RMB'million**	RMB'million
For the year ended 31 December								
Segment revenue								
– Revenue from external customers	**15,749**	17,450	**17,450**	14,770	**2,313**	1,708	**35,512**	33,928
Revenue	**15,749**	17,450	**17,450**	14,770	**2,313**	1,708	**35,512**	33,928
Segment gross profit	**7,035**	7,201	**12,092**	10,402	**1,524**	1,056	**20,651**	18,659
Segment results	**4,449**	4,676	**4,494**	4,023	**195**	(58)	**9,138**	8,641
Reconciliation:								
– Gain on disposal of partial interests in a joint venture							**14**	54
– Net finance costs							**(462)**	(53)
– Share of loss of a joint venture							**(601)**	(633)
Profit before taxation							**8,089**	8,009
As at 31 December								
Segment assets	**20,037**	13,465	**9,927**	9,760	**3,337**	1,985	**33,301**	25,210
Reconciliation:								
– Elimination of inter-segment borrowings	**(302)**	(451)	**(25)**	–	**–**	–	**(327)**	(451)
– Fixed deposits held at banks with maturity over three months							**4,922**	4,183
– Cash and cash equivalents							**3,013**	915
– Investment in a joint venture							**9,658**	10,551
– Other investments							**340**	64
– Deferred tax assets							**960**	746
Total assets							**51,867**	41,218
Segment liabilities	**5,772**	5,421	**3,992**	4,676	**1,148**	1,027	**10,912**	11,124
Reconciliation:								
– Elimination of inter-segment borrowings	**(25)**	–	**(29)**	(29)	**(273)**	(422)	**(327)**	(451)
– Borrowings							**13,424**	8,003
– Current taxation							**1,507**	1,225
– Deferred tax liabilities							**527**	256
Total liabilities							**26,043**	20,157

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

(Expressed in Renminbi unless otherwise indicated)

2. Other Net Income

	2020 RMB'million	2019 RMB'million
Government grants[(i)]	**1,286**	1,019
Net loss on disposal of property, plant and equipment	**(7)**	(3)
Dividend income from equity investments	**2**	1
Gain on disposal of partial interests in a joint venture (note 16)	**14**	54
Others	**94**	(1)
	1,389	1,070

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

3. Net Finance Costs

	2020 RMB'million	2019 RMB'million
Total interest income on financial assets measured at amortised cost	**271**	168
Net gain on forward foreign exchange contracts and currency option contracts	**11**	27
Other net foreign exchange gain	**–**	30
	282	225
Interest expense on lease liabilities	**(144)**	(94)
Total interest expense on other financial liabilities measured at amortised cost	**(263)**	(188)
Less: interest expense capitalised into property under development[(i)]	**–**	4
Other net foreign exchange loss	**(337)**	–
	(744)	(278)
Net finance costs	**(462)**	(53)

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

4. Profit Before Taxation

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

		2020 RMB'million	2019 RMB'million
(a)	**Staff costs[(i) & (ii)]:**		
	Salaries, wages and other benefits	**3,904**	3,430
	Contributions to defined contribution retirement plans	**209**	438
	Equity-settled share-based payment transactions (note 27(f))	**324**	88
		4,437	3,956
(b)	**Other items:**		
	Cost of inventories[(i)] (note 18(b))	**14,861**	15,269
	Research and development costs[(i) & (ii)]	**871**	789
	Subcontracting charges[(i)]	**174**	339
	Depreciation[(i)]		
	– Property, plant and equipment (note 10)	**414**	389
	– Right-of-use assets (note 11)	**1,589**	1,032
	Amortisation of intangible assets (note 14)	**76**	48
	Impairment loss/(reversal of impairment loss) of trade receivables (note 19)	**6**	(13)
	Variable lease payments not included in the measurement of lease liabilities	**2,107**	1,942
	Auditors' remuneration	**11**	11

(i) Cost of inventories includes subcontracting charges, staff costs, depreciation and research and development costs, total amounting to RMB1,812 million (2019: RMB1,880 million).

(ii) Research and development costs include staff costs of employees in the research and development department, of which RMB318 million (2019: RMB303 million) are included in the staff costs as disclosed above.

(Expressed in Renminbi unless otherwise indicated)

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

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

	2020 RMB'million	2019 RMB'million
Current tax		
PRC Corporate Income Tax and income taxes of other tax jurisdictions	**2,421**	2,353
Dividends withholding tax	**42**	240
Deferred tax (note 25(b))		
Dividends withholding tax	**(42)**	(240)
Origination and reversal of other temporary differences	**99**	32
	2,520	2,385

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

(ii) Taxation for subsidiaries in other tax jurisdictions amounting to RMB2 million (2019: RMB9 million) is charged at the appropriate current rates under the relevant taxation rulings.

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

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

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

	2020 RMB'million	2019 RMB'million
Profit before taxation	**8,089**	8,009
Notional tax on profit before taxation, calculated at the applicable rates in the tax jurisdictions concerned	**2,274**	2,180
Tax effect of non-deductible expenses	**135**	74
Tax effect of non-taxable income	**(98)**	(95)
Tax effect of unused tax losses not recognised	**44**	48
Withholding tax on profits retained by Mainland China subsidiaries (note 5(a)(iii))	**309**	250
Effect of tax concessions (note 5(a)(i))	**(144)**	(72)
Actual tax expense	**2,520**	2,385

6. Directors' Emoluments

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

	Fees RMB'000	Basic salaries, allowances and other benefits RMB'000	Contributions to retirement benefit scheme RMB'000	Discretionary bonuses RMB'000	Equity-settled share-based payment transaction (note 27(f)) RMB'000	Total RMB'000
Year ended 31 December 2020						
Executive Directors						
Mr. Ding Shizhong	**–**	**1,080**	**67**	**532**	**–**	**1,679**
Mr. Ding Shijia	**–**	**1,000**	**67**	**–**	**–**	**1,067**
Mr. Lai Shixian	**–**	**1,500**	**67**	**–**	**32,105**	**33,672**
Mr. Wu Yonghua	**–**	**2,000**	**67**	**–**	**–**	**2,067**
Mr. Zheng Jie	**–**	**11,394**	**59**	**3,600**	**–**	**15,053**
	–	**16,974**	**327**	**4,132**	**32,105**	**53,538**
Non-Executive Director						
Mr. Wang Wenmo(i)	**1,000**	**–**	**–**	**–**	**–**	**1,000**
Independent Non-Executive Directors						
Mr. Dai Zhongchuan	**120**	**–**	**–**	**–**	**–**	**120**
Mr. Yiu Kin Wah Stephen	**1,079**	**–**	**–**	**–**	**–**	**1,079**
Mr. Mei Ming Zhi(iii)	**270**	**–**	**–**	**–**	**–**	**270**
Mr. Lai Hin Wing Henry Stephen(iv)	**90**	**–**	**–**	**–**	**–**	**90**
	1,559	**–**	**–**	**–**	**–**	**1,559**
Total	**2,559**	**16,974**	**327**	**4,132**	**32,105**	**56,097**
Year ended 31 December 2019						
Executive Directors						
Mr. Ding Shizhong	–	1,080	71	532	–	1,683
Mr. Ding Shijia	–	1,000	71	–	–	1,071
Mr. Lai Shixian	–	1,500	71	–	7,803	9,374
Mr. Wu Yonghua	–	2,000	71	–	–	2,071
Mr. Zheng Jie	–	3,669	101	10,912	–	14,682
	–	9,249	385	11,444	7,803	28,881
Non-Executive Director						
Mr. Wang Wenmo(i)	833	167	12	–	–	1,012
Independent Non-Executive Directors						
Mr. Lu Hong-Te(ii)	36	–	–	–	–	36
Mr. Dai Zhongchuan	120	–	–	–	–	120
Mr. Yiu Kin Wah Stephen	713	–	–	–	–	713
Mr. Mei Ming Zhi(iii)	267	–	–	–	–	267
	1,136	–	–	–	–	1,136
Total	1,969	9,416	397	11,444	7,803	31,029

(i) Re-designated as a Non-Executive Director on 1 March 2019.

(ii) Resigned on 1 March 2019.

(iii) Appointed as an Independent Non-Executive Director on 1 March 2019 and resigned on 1 November 2020.

(iv) Appointed as an Independent Non-Executive Director on 1 November 2020.

During the financial 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 financial year.

7. Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments, 2 (2019: 2) are also Directors of the Company whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining 3 (2019: 3) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	**5,900**	6,649
Discretionary bonuses	**785**	4,562
Equity-settled share-based payment transactions (note 27(f))	**41,736**	7,803
Contributions to retirement benefit scheme	**112**	27
	48,533	19,041

The 3 individuals (2019: 3) are neither senior management nor a Director of the Company. The emoluments of the 3 (2019: 3) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2020	2019
RMB5,500,001 to RMB6,000,000	**–**	1
RMB6,000,001 to RMB6,500,000	**–**	1
RMB7,000,001 to RMB7,500,000	**–**	1
RMB12,500,001 to RMB13,000,000	**1**	–
RMB17,500,001 to RMB18,000,000	**1**	–
RMB18,000,001 to RMB18,500,000	**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 and the weighted average number of ordinary shares in issue during the financial year.

Weighted average number of ordinary shares

	2020 **'000 Shares**	2019 '000 Shares
Issued ordinary shares as at 1 January	**2,701,947**	2,684,904
Effect of shares issued under a share subscription agreement	**–**	8,073
Effect of shares held under share award scheme	**(14,399)**	(3,964)
Effect of shares vested under share award scheme	**1,370**	–
Effect of shares issued under share option schemes	**701**	481
Weighted average number of ordinary shares as at 31 December	**2,689,619**	2,689,494

(b) Diluted earnings per share

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

Profit attributable to equity shareholders of the Company (diluted)

	2020 **RMB'million**	2019 RMB'million
Profit attributable to equity shareholders of the Company	**5,162**	5,344
Adjustment for interest on convertible bonds, net of tax	**81**	–
Profit attributable to equity shareholders of the Company (diluted)	**5,243**	5,344

Weighted average number of ordinary shares (diluted)

	2020 **'000 Shares**	2019 '000 Shares
Weighted average number of ordinary shares as at 31 December	**2,689,619**	2,689,494
Effect of awarded shares under share award scheme	**2,722**	341
Effect of deemed issue of shares under share option schemes	**1,210**	2,361
Effect of conversion of convertible bonds	**74,617**	–
Weighted average number of ordinary shares (diluted) as at 31 December	**2,768,168**	2,692,196

(Expressed in Renminbi unless otherwise indicated)

9. Company-level Statement of Financial Position

	Note	2020 RMB'million	2019 RMB'million
Non-current assets			
Investments in subsidiaries	15	**5,633**	5,559
Total non-current assets		**5,633**	5,559
Current assets			
Other receivables		**–**	17
Amounts due from subsidiaries		**5,726**	5,332
Fixed deposits held at banks with maturity over three months		**–**	424
Cash and cash equivalents		**16**	4
Total current assets		**5,742**	5,777
Total assets		**11,375**	11,336
Current liabilities			
Borrowings		**40**	–
Amounts due to subsidiaries		**855**	1,030
Other payables		**–**	1
Total current liabilities		**895**	1,031
Net current assets		**4,847**	4,746
Total assets less current liabilities		**10,480**	10,305
Non-current liabilities			
Borrowings		**973**	–
Total liabilities		**1,868**	1,031
Net assets		**9,507**	10,305
Equity			
Share capital	26	**261**	261
Reserves	27	**9,246**	10,044
Total equity		**9,507**	10,305
Total liabilities and equity		**11,375**	11,336

10. Property, Plant and Equipment

	Buildings RMB'million	Plant and machinery RMB'million	Motor vehicles RMB'million	Furniture and fixtures RMB'million	Retail outlets leasehold improvements RMB'million	Total RMB'million
Cost:						
As at 1 January 2019	1,706	289	46	549	234	2,824
Additions	1	56	7	55	247	366
Transfer from construction in progress (note 12)	277	107	–	25	–	409
Disposals	(2)	(28)	(1)	(141)	(131)	(303)
As at 31 December 2019 and 1 January 2020	**1,982**	**424**	**52**	**488**	**350**	**3,296**
Additions	**106**	**57**	**9**	**57**	**187**	**416**
Transfer from construction in progress (note 12)	**22**	**7**	**1**	**21**	**9**	**60**
Disposals	**(14)**	**(32)**	**(7)**	**(29)**	**(168)**	**(250)**
As at 31 December 2020	**2,096**	**456**	**55**	**537**	**378**	**3,522**
Accumulated depreciation:						
As at 1 January 2019	397	125	23	373	119	1,037
Charge for the year (note 4)	94	42	9	57	187	389
Written back on disposals	(1)	(8)	(1)	(138)	(130)	(278)
As at 31 December 2019 and 1 January 2020	**490**	**159**	**31**	**292**	**176**	**1,148**
Charge for the year (note 4)	**92**	**45**	**8**	**71**	**198**	**414**
Written back on disposals	**(5)**	**(26)**	**(6)**	**(21)**	**(166)**	**(224)**
As at 31 December 2020	**577**	**178**	**33**	**342**	**208**	**1,338**
Net book value:						
As at 31 December 2020	**1,519**	**278**	**22**	**195**	**170**	**2,184**
As at 31 December 2019	1,492	265	21	196	174	2,148

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

(Expressed in Renminbi unless otherwise indicated)

11. Right-of-Use Assets

	Leasehold land RMB'million	Properties leased for own use RMB'million	Total RMB'million
Net book value:			
As at 1 January 2019	509	1,663	2,172
Additions	829	1,490	2,319
Depreciation charge for the year (note 4)	(22)	(1,010)	(1,032)
Disposals	–	(222)	(222)
As at 31 December 2019 and 1 January 2020	**1,316**	**1,921**	**3,237**
Additions	**118**	**2,512**	**2,630**
Depreciation charge for the year (note 4)	**(30)**	**(1,559)**	**(1,589)**
Disposals	**–**	**(170)**	**(170)**
As at 31 December 2020	**1,404**	**2,704**	**4,108**

Details of the maturity analysis of lease liabilities is set out in note 29(b).

(a) Leasehold land

The Group has obtained land use rights of certain leasehold land for properties held for own use in Mainland China.

(b) Properties leased for own use

The Group has obtained the right to use properties as its warehouses and retail stores through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. Total cash outflow for the leases in the reporting period was RMB3,908 million (2019: RMB2,859 million).

12. Construction in Progress

	2020 RMB'million	2019 RMB'million
As at 1 January	**421**	661
Additions	**184**	169
Transfer to property, plant and equipment (note 10)	**(60)**	(409)
As at 31 December	**545**	421

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

13. Prepayments for Acquisition of Land Use Rights and Other Non-current Assets

	2020 RMB'million	2019 RMB'million
Prepayments for acquisition of:		
Land use rights	**3**	3
Other non-current assets	**43**	50
	46	53

14. Intangible Assets

	Computer software RMB'million	Patents and trademarks RMB'million	Total RMB'million
Cost:			
As at 1 January 2019	174	762	936
Additions	41	–	41
Disposals	(2)	–	(2)
As at 31 December 2019 and 1 January 2020	**213**	**762**	**975**
Additions	**93**	**–**	**93**
Capital contribution-in-kind by non-controlling interests of a subsidiary	**–**	**884**	**884**
As at 31 December 2020	**306**	**1,646**	**1,952**
Accumulated amortisation:			
As at 1 January 2019	123	128	251
Charge for the year (note 4)	28	20	48
Written back on disposals	(2)	–	(2)
As at 31 December 2019 and 1 January 2020	**149**	**148**	**297**
Charge for the year (note 4)	**48**	**28**	**76**
As at 31 December 2020	**197**	**176**	**373**
Net book value:			
As at 31 December 2020	**109**	**1,470**	**1,579**
As at 31 December 2019	64	614	678

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

15. Investments in Subsidiaries

The investments in subsidiaries represent cost of unlisted shares of the subsidiaries. Details of principal subsidiaries as at 31 December 2020 are shown on pages 169 to 175.

(Expressed in Renminbi unless otherwise indicated)

16. Investment in a Joint Venture

	RMB'million
As at 1 January 2019	–
Additions	11,707
Share of loss	(633)
Share of other comprehensive loss	(65)
Disposals	(809)
Foreign currency translation adjustments	351
As at 31 December 2019 and 1 January 2020	**10,551**
Share of loss	**(601)**
Share of other comprehensive loss	**(293)**
Disposals	**(221)**
Foreign currency translation adjustments	**222**
As at 31 December 2020	**9,658**

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

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

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

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

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

On 22 December 2020 (Hong Kong time) (21 December 2020 New York time), Amer Sports and Peloton Interactive, Inc (the "Purchaser") entered into a stock and asset purchase agreement, pursuant to which the Amer Sports has agreed to sell, and the Purchaser has agreed to purchase, (i) 100% of the issued share capital in each of the target companies (and their respective wholly-owned subsidiaries engaging the Precor brand business, collectively "Precor Group") and (ii) any and all intellectual property related to the business of the Precor Group for an aggregate consideration of USD420.0 million (equivalent to approximately RMB2,779 million) in cash, subject to a number of customary adjustments in accordance with the terms and conditions thereof. Precor Group was classified as a disposal group held for sale at 22 December 2020 and a discontinued operation in the AS Holding's consolidated financial statements for the year ended 31 December 2020.

16. Investment in a Joint Venture (Continued)

Summarised consolidated financial information of AS Holding, based on the latest available information to the Company and following the accounting policies adopted by the Group, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	2020 RMB'million	2019 RMB'million
Current assets	**13,840**	13,738
Non-current assets	**43,811**	45,438
Current liabilities	**(7,774)**	(8,783)
Non-current liabilities	**(31,550)**	(30,790)
Equity	**18,327**	19,603
Included in the above assets and liabilities:		
Cash and cash equivalents	**2,541**	2,488
Current financial liabilities (excluding trade and other payables and provisions)	**(1,293)**	(2,805)
Non-current financial liabilities (excluding trade and other payables and provisions)	**(24,363)**	(22,999)

	Year ended 31 December 2020 RMB'million	From 26 March 2019 to 31 December 2019 RMB'million (restated)
Revenue	**17,428**	14,949
Loss from continuing operations	**(957)**	(1,053)
Post-tax loss from discontinued operations	**(183)**	(39)
Other comprehensive loss	**(554)**	(112)
Total comprehensive loss	**(1,694)**	(1,204)
Included in the above loss:		
Depreciation and amortisation	**(1,604)**	(1,627)
Interest income	**7**	25
Interest expense	**(1,073)**	(751)
Income tax (expense)/income	**(85)**	28

The comparative information for the period from 26 March 2019 to 31 December 2019 has been re-presented as if the Precor Group, classified as a discontinued operation at 22 December 2020, had been classified at 26 March 2019.

Reconciliation to the Group's Investment in a joint venture	**2020 RMB'million**	2019 RMB'million
Gross amounts of AS Holding's net assets	**18,327**	19,603
Group's effective interest	**52.70%**	53.82%
Group's share of AS Holding's net assets	**9,658**	10,551
Carrying amount of the Group's investment	**9,658**	10,551

(Expressed in Renminbi unless otherwise indicated)

16. Investment in a Joint Venture (Continued)

On 12 November 2019, the Group entered into certain share purchase agreements, resulting in: (i) disposal of all 50,012 shares of class B shares ("Class B Shares", which are non-voting shares) of ANLLIAN HOLDCO (BVI) LIMITED ("Anllian SPV", a wholly owned subsidiary of the Group as at the date of the share purchase agreements and holding 5.0012% equity interests of AS Holding) to 4 investors at consideration of approximately EUR133.3 million (equivalent to RMB1,042 million) ("Anllian SPV Share Purchase Agreements"); and (ii) disposal of 0.2505% equity interest in AS Holding to Baseball Investment Limited ("FountainVest SPV", one of the other investors of AS Holding) at consideration of approximately EUR6.7 million (equivalent to RMB52 million) ("JVCo Share Purchase Agreement") (i.e. disposing 5.0012% economic interest and directly disposing 0.2505% equity interest respectively in AS Holding with total consideration of approximately EUR140.0 million (equivalent to RMB1,095 million) by the Group).

In respect of the Anllian SPV Share Purchase Agreements, (i) 26,733 Class B Shares (representing 53.453% of the total Class B Shares) were disposed to Super Grand Global Limited ("Super Grand") at consideration of approximately EUR71.2 million (equivalent to RMB557 million) ("Super Grand Share Purchase Agreement"); (ii) 8,260 Class B Shares (representing 16.516% of the total Class B Shares) were disposed to Blossom Fortune Investment Limited ("Blossom Fortune") at consideration of approximately EUR22.0 million (equivalent to RMB172 million) ("Blossom Fortune Share Purchase Agreement"); (iii) 11,264 Class B Shares (representing 22.523% of the total Class B Shares) were disposed to Sequoia Jingyuan (Xiamen) Equity Investment Partnership (Limited Partnership) ("Sequoia SPV") at consideration of approximately EUR30.1 million (equivalent to RMB235 million) ("Sequoia Share Purchase Agreement"); and (iv) 3,755 Class B Shares (representing 7.508% of the total Class B Shares) were disposed to Z Babylon AS Investments Limited and Z Babylon Norwich Investments Limited (jointly and severally)(collectively "ZWC") at consideration of approximately EUR10.0 million (equivalent to RMB78 million) ("ZWC Share Purchase Agreement").

Each of Super Grand and Blossom Fortune was a related party of the Group. As such, the entering into of the Super Grand Share Purchase Agreement and the Blossom Fortune Share Purchase Agreement by the Group and each of Super Grand and Blossom Fortune, respectively, constituted related party transactions of the Group under the relevant financial reporting standards. The above related party transactions also fell under the definition of connected transactions in Chapter 14A of the Listing Rules. The Company complied with the requirements in accordance with Chapter 14A of the Listing Rules. Each of Sequoia SPV, ZWC and FountainVest SPV is not a related party of the Group under the relevant financial reporting standards.

The transactions under Super Grand Share Purchase Agreement, Blossom Fortune Share Purchase Agreement, ZWC Share Purchase Agreement and JVCo Share Purchase Agreement were completed during the financial year ended 31 December 2019 with total proceeds of approximately RMB863 million and total gains of approximately RMB54 million.

During the reporting period, the Group completed the Sequoia Share Purchase Agreement and effectively disposed 1.12% economic interest in AS Holding with proceeds of approximately RMB235 million and a gain of approximately RMB14 million.

A 5-year EUR1,300 million (equivalent to RMB10,392 million) term loan facility ("Facility A") is provided by independent third party bank lenders to AS Holding for the purpose of, amongst other things, (i) funding the settlement of the tender offer and the purchase of the shares of Amer Sports; and/or (ii) refinancing of any indebtedness of Amer Sports in connection with the acquisition of shares of Amer Sports. The Company has guaranteed the full and punctual performance of any and all obligations and undertakings of AS Holding to the arrangers, the lenders and the agent in connection with, and for all amounts which may become due and payable under, the aforesaid loan facilities. As at 31 December 2020, Facility A has been fully drawn by AS Holding.

17. Other Investments

	2020 RMB'million	2019 RMB'million
Current		
Financial instruments measured at fair value through profit or loss ("FVTPL"):		
Unlisted debt securities	**270**	–
Non-current		
Equity instruments designated at FVOCI (non-recycling):		
Unlisted equity investments	**70**	64
	340	64

The Group designated certain unlisted equity investments at FVOCI (non-recycling), as the investments are held for strategic purposes. Dividends with amount of RMB2 million were received on the unlisted equity investments during the reporting period (2019: RMB1 million).

17. Other Investments (Continued)

The movements of the unlisted equity investments are as follows:

	RMB'million
At 1 January 2019	64
Additions	14
Total unrealised gains recognised in other comprehensive income	11
Disposals	(25)
At 31 December 2019 and 1 January 2020	**64**
Total unrealised gains recognised in other comprehensive income	**6**
At 31 December 2020	**70**

18. Inventories

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

	2020 RMB'million	2019 RMB'million
Raw materials	**212**	259
Work in progress	**274**	249
Finished goods	**5,000**	3,897
	5,486	4,405

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

	2020 RMB'million	2019 RMB'million
Carrying amount of inventories sold	**14,689**	15,235
Write-down of inventories	**172**	34
	14,861	15,269

19. Trade Receivables and Other Current Assets

	2020 RMB'million	2019 RMB'million
Trade receivables	**3,778**	3,937
Less: loss allowance	**(47)**	(41)
	3,731	3,896
Other current assets:		
Other assets in relation to refunds (note 22)	**167**	–
Advance payments to suppliers	**753**	732
Deposits and other prepayments	**1,100**	1,032
VAT deductible	**476**	464
Interest receivables	**44**	37
Derivative financial instruments	**2**	3
Others	**341**	144
	2,883	2,412

(Expressed in Renminbi unless otherwise indicated)

19. Trade Receivables and Other Current Assets (Continued)

All of the trade receivables and other receivables (net of loss allowance) are expected to be recovered or recognised as expenses within one year.

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

	2020 RMB'million	2019 RMB'million
Current	**3,709**	3,835
Less than 3 months past due	**25**	71
Past due over 3 months	**44**	31
	3,778	3,937

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

	2020 RMB'million	2019 RMB'million
As at 1 January	**41**	54
Impairment loss/(reversal of impairment loss) recognised (note 4)	**6**	(13)
As at 31 December	**47**	41

The Group normally grants a credit period of 30 to 90 days to its customers. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29(a).

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

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

	2020 RMB'million	2019 RMB'million
Fixed deposits with banks within three months to maturity when placed	**7,875**	6,951
Cash at bank and in hand	**3,052**	1,270
Short-term investments[(i)]	**4,396**	–
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**15,323**	8,221
Fixed deposits with banks with more than three months to maturity when placed	**5,023**	4,382
Pledged deposits[(ii)]	**1**	4
Total[(iii)]	**20,347**	12,607

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

(ii) As at 31 December 2020, certain bank deposits have been pledged as security for certain contracts.

(iii) As at 31 December 2020, the balances that were placed with banks and financial institutions in Mainland China amounted to RMB15,674 million (2019: RMB7,573 million). Remittance of funds out of Mainland China is subject to the exchange restrictions imposed by government.

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

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

As at the end of the reporting period, all balances, deposits and short-term investments were placed with or entered into with highly reputable and sizable banks and financial institutions without significant credit risk. The breakdown by placement banks/financial institutions is as follows:

	2020 RMB'million	2019 RMB'million
Big 4 domestic banks (and its subsidiaries)	**5,998**	6,340
Other reputable and sizeable domestic shareholding commercial banks (and its subsidiaries)	**8,971**	5,678
Reputable domestic non-bank financial institutions	**4,396**	–
Highly reputable and sizeable foreign-owned banks	**982**	589
	20,347	12,607

Big 4 domestic banks comprise Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation.

The breakdown by currency is as follows:

	2020 RMB'million	2019 RMB'million
Renminbi	**12,240**	7,524
United States Dollars	**7,347**	4,670
Euro	**432**	57
Hong Kong Dollars	**265**	289
Others	**63**	67
	20,347	12,607

(Expressed in Renminbi unless otherwise indicated)

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

(b) Reconciliation of liabilities arising from financing activities:

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

	Bank loans RMB'million	Bills payable (financing in nature) RMB'million	Convertible bonds RMB'million	Medium term notes RMB'million	Lease liabilities RMB'million	Total RMB'million
As at 1 January 2020	8,003	1,200	–	–	1,863	11,066
Changes from financing cash flows:						
Drawdown of new bank loans	964	–	–	–	–	964
Repayment of bank loans	(4,307)	–	–	–	–	(4,307)
Payments of interest expense on bank loans	(152)	–	–	–	–	(152)
Net repayment of bills of exchange	–	(200)	–	–	–	(200)
Net proceeds from issuance of convertible bonds	–	–	7,678	–	–	7,678
Net proceeds from issuance of medium term notes	–	–	–	998	–	998
Payments of lease liabilities	–	–	–	–	(1,699)	(1,699)
Total changes from financing cash flows	(3,495)	(200)	7,678	998	(1,699)	3,282
Other changes:						
Increase in lease liabilities from entering into new leases during the financial year	–	–	–	–	2,512	2,512
Interest expenses	144	23	81	15	144	407
Equity component of convertible bonds	–	–	(463)	–	–	(463)
COVID-19-related rent concessions received (note 33)	–	–	–	–	(131)	(131)
Exchange adjustment	149	–	314	–	–	463
Other	–	(23)	–	–	(170)	(193)
Total other changes	293	–	(68)	15	2,355	2,595
As at 31 December 2020	4,801	1,000	7,610	1,013	2,519	16,943

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

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

	Bank loans RMB'million	Bills payable (financing in nature) RMB'million	Lease liabilities RMB'million	Total RMB'million
As at 1 January 2019	1,314	469	1,663	3,446
Changes from financing cash flows:				
Drawdown of new bank loans	7,733	–	–	7,733
Repayment of bank loans	(1,298)	–	–	(1,298)
Payments of interest expense on bank loans	(110)	–	–	(110)
Net proceeds from bills of exchange	–	731	–	731
Payments of lease liabilities	–	–	(1,160)	(1,160)
Total changes from financing cash flows	6,325	731	(1,160)	5,896
Other changes:				
Increase in lease liabilities from entering into new leases during the financial year	–	–	1,490	1,490
Interest expenses	156	32	94	282
Exchange adjustment	189	–	–	189
Other	19	(32)	(224)	(237)
Total other changes	364	–	1,360	1,724
As at 31 December 2019	8,003	1,200	1,863	11,066

21. Borrowings

	Note	2020 RMB'million	2019 RMB'million
Current			
Bank loans	(a)	**928**	1,359
Bills payable (financing in nature)	(b)	**1,000**	1,200
Medium term notes	(d)	**40**	–
		1,968	2,559
Non-Current			
Bank loans	(a)	**3,873**	6,644
Convertible bonds	(c)	**7,610**	–
Medium term notes	(d)	**973**	–
		12,456	6,644
Total borrowings		**14,424**	9,203

(a) Bank loans

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

21. Borrowings (Continued)

(b) Bills payable (financing in nature)

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

(c) Convertible Bonds

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

Each Bond will, at the option of the holder, be convertible on or after the date which is 41 days after 5 February 2020 up to the date falling 10 days prior to 5 February 2025 into fully paid ordinary shares with a par value of HKD0.10 each of the Company (the "Shares") at an initial conversion price of HKD105.28 per Share, subject to adjustments. The latest conversion price was HKD104.40 with effect from 10 September 2020. The number of Shares to be issued shall be determined by dividing the principal amount of the Bonds to be converted (translated into Hong Kong dollars at the pre-determined fixed rate of HKD8.6466 = EUR1.00 under the terms and conditions of the Bonds) by the conversion price in effect on the relevant conversion date. Assuming full conversion of the Bonds at the adjusted conversion price of HKD104.40 per Share, the Bonds will be convertible into 82,821,839 Shares.

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

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

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

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

During the financial year, there was no conversion nor redemption of convertible bonds.

(d) Medium term notes

In August 2020, the Group issued a tranche of medium term notes due in 3 years from the issue date, with an aggregate principal amount of RMB1,000 million at a coupon rate 3.95% and transaction costs of approximately RMB2 million. The notes are unsecured, denominated in Renminbi and measured at amortised cost.

22. Trade Payables and Other Current Liabilities

	2020 RMB'million	2019 RMB'million
Trade payables	**2,376**	2,963
Other current liabilities:		
Refund liabilities[i]	**303**	–
Contract liabilities[ii] & [iii]	**1,067**	1,588
Construction costs payables	**92**	132
VAT and other taxes payables	**471**	495
Accruals	**1,638**	1,691
Derivative financial instruments	**17**	–
Others	**951**	715
	4,539	4,621

(i) The Group recognises a refund liability for the consideration received or receivable of which the Group does not expect to be entitled. The Group also recognises other assets in relation to refunds, measured with reference to the former carrying amount of the products (see note 19). The costs to recover the products are not material because the product returned are usually in a saleable condition.

(ii) Revenue that was included in the contract liability balance at the beginning of the reporting period amounting to RMB1,493 million (2019: RMB856 million) was recognised in the reporting period.

(iii) Under IFRS/HKFRS 15, a contract liability, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue, or when the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer (i.e. refund liability).The decrease in contract liabilities was attributable to the change of ANTA brand's business model to Direct to Consumer (DTC) model for certain regions in Mainland China, resulting in the decrease in receipts in advance from and refund liabilities payable to wholesale distributors.

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

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

	2020 RMB'million	2019 RMB'million
Within 3 months	**2,346**	2,939
3 months to 6 months	**16**	12
Over 6 months	**14**	12
	2,376	2,963

23. Employee Retirement Benefits

Defined contribution retirement plans

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HKD30,000. Contributions to the plan vest immediately.

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

24. Equity-settled Share-based Payment Transactions

(a) Share option scheme

Share Option Scheme I

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

(i) The terms and conditions of the grants of share options 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:

	2020		2019	
	Weighted average exercise price	**Number of options '000**	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the year	**HKD16.20**	**2,582**	HKD16.20	3,783
Exercised during the financial year	**HKD16.20**	**(1,382)**	HKD16.20	(1,201)
Lapsed during the financial year	**HKD16.20**	**(1,200)**	–	–
Outstanding at the end of the year	**–**	**–**	HKD16.20	2,582
Exercisable at the end of the year	**–**	**–**	HKD16.20	2,582

The weighted average share price at the date of exercise for share options exercised during the financial year was HKD73.48 (2019: HKD64.08).

The Share Option Scheme I was valid and effective for a period of 10 years from the adoption of the scheme. 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. Any outstanding share options granted under the Share Option Scheme I should continue to be valid and exercisable until expiry in accordance with the Share Option Scheme I. As at 31 December 2020, all options granted under the Share Option Scheme I were expired and lapsed.

During the reporting period, 1,200,000 share options granted but not exercised under the Share Option Scheme I expired and lapsed accordingly, resulting in the transfer out of RMB6 million from share-based compensation reserve to retained profits.

24. Equity-settled Share-based Payment Transactions (Continued)

(a) Share option scheme (Continued)

Share Option Scheme II

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

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

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

(b) Share award scheme

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

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

During the financial year, pursuant to the Share Award Scheme, 7,822,000 ordinary shares (2019: 8,555,000) in the Company were purchased on the open market by the trustee. Total consideration paid during the financial year, including all relevant expenses, were RMB464 million (2019: RMB445 million).

The terms and conditions of the grants of awarded shares are as follows:

	Number of awarded shares '000	Vesting conditions
Awarded shares granted to a Director:		
– on 5 November 2019	1,000	0.5 years to 4.5 years from the date of grant
Awarded shares granted to employees:		
– on 5 November 2019	10,170	0.5 years to 4.5 years from the date of grant
– on 2 November 2020	890	0.5 years to 4.5 years from the date of grant
Total awarded shares	12,060	

The fair value of the awarded shares was measured based on the market price of the Company's shares at the respective grant date. No expected dividends were incorporated into the measurement of fair value.

During the financial year, the number and weighted average fair value of the awarded shares granted were 890,000 shares (2019: 11,170,000) and HKD86.75 per awarded share (2019: HKD78.05) respectively. During the financial year, 2,055,667 awarded shares (2019: Nil) with a total amount of RMB112 million (2019: Nil) were vested, resulting in the transfer out of RMB145 million (2019: Nil) from the share-based compensation reserve, with the difference of RMB33 million (2019: Nil) credited to share premium account. 1,246,333 awarded shares were lapsed during the financial year (2019: Nil).

As at 31 December 2020, the total number of awarded shares granted but not vested (subject to certain vesting conditions) under the Share Award Scheme was 8,758,000 (2019: 11,170,000).

(Expressed in Renminbi unless otherwise indicated)

25. Taxation in the Consolidated Statement of Financial Position

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

Current taxation in the consolidated statement of financial position represents provisions for PRC Corporate Income Tax of RMB1,503 million (2019: RMB1,213 million) and income taxes in other tax jurisdictions of RMB4 million (2019: RMB12 million).

(b) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Dividend withholding tax RMB'million	Other deferred tax liabilities RMB'million	Accruals RMB'million	Other deferred tax assets RMB'million	Total RMB'million
As at 1 January 2019	215	22	(361)	(42)	(166)
Charged/(credited) to profit or loss (note 5(a))	250	9	(163)	(64)	32
Released upon distribution of dividends (note 5(a)(iii))	(240)	–	–	–	(240)
Others	–	–	–	(116)	(116)
As at 31 December 2019 and 1 January 2020	**225**	**31**	**(524)**	**(222)**	**(490)**
Charged/(credited) to profit or loss (note 5(a))	**309**	**4**	**146**	**(360)**	**99**
Released upon distribution of dividends (note 5(a)(iii))	**(42)**	**–**	**–**	**–**	**(42)**
As at 31 December 2020	**492**	**35**	**(378)**	**(582)**	**(433)**

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'million	2019 RMB'million
Net deferred tax asset recognised in the consolidated statement of financial position	**(960)**	(746)
Net deferred tax liability recognised in the consolidated statement of financial position	**527**	256
	(433)	(490)

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

(c) Deferred tax assets not recognised:

As at 31 December 2020, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB573 million (2019: RMB456 million) of which RMB357 million (2019: RMB347 million) 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 2020, temporary differences relating to the undistributed profits of certain subsidiaries of the Group in Mainland China amounted to RMB7,411 million (2019: RMB6,496 million). Deferred tax liabilities of RMB371 million (2019: RMB325 million) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits, as the Company controls the dividend policy of these subsidiaries in Mainland China and the Directors have determined that these profits are not likely to be distributed in the foreseeable future.

26. Share Capital

	Par value HKD	Number of Shares '000	Nominal value of ordinary shares HKD'million
Authorised:			
Ordinary shares			
As at 31 December 2019 and 2020	**0.10**	**5,000,000**	**500**

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

	Par value HKD	Number of Shares '000	Nominal value of ordinary shares HKD'million	RMB'million
Issued and fully paid:				
As at 1 January 2019	0.10	2,684,904	268	259
Shares issued under share option schemes	0.10	1,201	–	–
Shares issued under a share subscription agreement	0.10	15,842	2	2
As at 31 December 2019 and 1 January 2020	**0.10**	**2,701,947**	**270**	**261**
Shares issued under share option schemes	**0.10**	**1,382**	**–**	**–**
As at 31 December 2020	**0.10**	**2,703,329**	**270**	**261**

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

During the financial year, pursuant to the Company's share option schemes (note 24(a)), options were exercised to subscribe for 1,382,000 ordinary shares (2019: 1,200,900 shares) in the Company at a consideration of RMB21 million (2019: RMB18 million) of which RMB127,000 (2019: RMB107,000) was credited to share capital and the balance of approximately RMB21 million (2019: RMB18 million) was credited to the share premium account. RMB5 million (2019: RMB4 million) was transferred from the share-based compensation reserve to the share premium account.

On 30 May 2019, the Company entered into a share subscription agreement to allot and issue new shares of the Company to a subscriber. A total of 15,842,000 new shares were allotted and issued at HKD49.11 per share to the subscriber by the Company. The subscription was completed on 28 June 2019. The gross and net proceeds after deducting all relevant expenses were approximately RMB692 million, out of which RMB2 million was credited to share capital and RMB690 million was credited to the share premium account.

(Expressed in Renminbi unless otherwise indicated)

27. Reserves

The Group

	Note	Shares held for share award scheme RMB'million Note 24(b)	Share premium RMB'million Note 27(a)	Capital reserve RMB'million Note 27(b)	Statutory reserve RMB'million Note 27(c)	Fair value reserve (non-recycling) RMB'million Note 27(d)	Exchange reserve RMB'million Note 27(e)	Share-based compensation reserve RMB'million Note 27(f)	Convertible bonds related reserve RMB'million	Share of other comprehensive loss of joint venture RMB'million	Retained profits RMB'million	Total RMB'million
Balances as at 1 January 2019		–	3,847	176	1,305	175	(414)	15	–	–	10,414	15,518
Changes in equity for 2019:												
– Profit for the year		–	–	–	–	–	–	–	–	–	5,344	5,344
– Other comprehensive income/(loss) for the year		–	–	–	–	25	64	–	–	(65)	–	24
Total comprehensive income for the year		–	–	–	–	25	64	–	–	(65)	5,344	5,368
Disposal of partial interests in a joint venture		–	–	–	–	–	–	–	–	5	(5)	–
Dividends approved in respect of the previous year	28(b)	–	–	–	–	–	–	–	–	–	(652)	(652)
Dividends declared in respect of the current year	28(a)	–	–	–	–	–	–	–	–	–	(764)	(764)
Shares issued under a subscription agreement	26	–	690	–	–	–	–	–	–	–	–	690
Shares purchased under share award scheme	24(b)	(445)	–	–	–	–	–	–	–	–	–	(445)
Shares issued under share option schemes	26	–	22	–	–	–	–	(4)	–	–	–	18
Disposal of equity investments designated at FVOCI	27(d)	–	–	–	–	(181)	–	–	–	–	181	–
Equity-settled share-based payment transactions	27(f)	–	–	–	–	–	–	88	–	–	–	88
Appropriation to statutory reserve	27(c)	–	–	–	115	–	–	–	–	–	(115)	–
Balances as at 31 December 2019 and 1 January 2020		**(445)**	**4,559**	**176**	**1,420**	**19**	**(350)**	**99**	**-**	**(60)**	**14,403**	**19,821**
Changes in equity for 2020:												
– Profit for the year		-	-	-	-	-	-	-	-	-	5,162	5,162
– Other comprehensive income/(loss) for the year		-	-	-	-	6	(44)	-	-	(293)	-	(331)
Total comprehensive income for the year		-	-	-	-	6	(44)	-	-	(293)	5,162	4,831
Disposal of partial interests in a joint venture		-	-	-	-	-	-	-	-	1	(1)	-
Dividends approved in respect of the previous year	28(b)	-	-	-	-	-	-	-	-	-	(903)	(903)
Dividends declared in respect of the current year	28(a)	-	-	-	-	-	-	-	-	-	(501)	(501)
Shares purchased under share award scheme	24(b)	(464)	-	-	-	-	-	-	-	-	-	(464)
Shares issued under share option schemes	26	-	26	-	-	-	-	(5)	-	-	-	21
Expiry and forfeiture of share options	24(a)	-	-	-	-	-	-	(6)	-	-	6	-
Equity-settled share-based payment transactions	27(f)	-	-	-	-	-	-	324	-	-	-	324
Vesting of awarded shares of share award scheme	24(b)	112	33	-	-	-	-	(145)	-	-	-	-
Issuance of convertible bonds	21(c)	-	-	-	-	-	-	-	463	-	-	463
Appropriation to statutory reserve	27(c)	-	-	-	141	-	-	-	-	-	(141)	-
Capital contribution-in-kind by non-controlling interests and dilution of interests in a subsidiary		-	-	-	-	-	-	-	-	-	279	279
Acquisition of partial interests in a subsidiary		-	-	-	-	-	-	-	-	-	(119)	(119)
Balances as at 31 December 2020		**(797)**	**4,618**	**176**	**1,561**	**25**	**(394)**	**267**	**463**	**(352)**	**18,185**	**23,752**

27. Reserves (Continued)

The Company

	Note	Shares held for share award scheme RMB'million Note 24(b)	Share premium RMB'million Note 27(a)	Exchange reserve RMB'million Note 27(e)	Share-based compensation reserve RMB'million Note 27(f)	Convertible bonds related reserve RMB'million	Retained profits RMB'million	Total reserves RMB'million
Balances as at 1 January 2019		–	3,847	(442)	15	–	3,634	7,054
Changes in equity for 2019:								
– Profit for the year		–	–	–	–	–	3,920	3,920
– Other comprehensive income for the year		–	–	135	–	–	–	135
Total comprehensive income for the year		–	–	135	–	–	3,920	4,055
Dividends approved in respect of the previous year	28(b)	–	–	–	–	–	(652)	(652)
Dividends declared in respect of the current year	28(a)	–	–	–	–	–	(764)	(764)
Shares issued under a subscription agreement	26	–	690	–	–	–	–	690
Shares purchased under share award scheme	24(b)	(445)	–	–	–	–	–	(445)
Shares issued under share option schemes	26	–	22	–	(4)	–	–	18
Equity-settled share-based payment transactions	27(f)	–	–	–	88	–	–	88
Balances as at 31 December 2019 and 1 January 2020		**(445)**	**4,559**	**(307)**	**99**	**–**	**6,138**	**10,044**
Changes in equity for 2020:								
– Profit for the year		**–**	**–**	**–**	**–**	**–**	**900**	**900**
– Other comprehensive loss for the year		**–**	**–**	**(638)**	**–**	**–**	**–**	**(638)**
Total comprehensive income for the year		**–**	**–**	**(638)**	**–**	**–**	**900**	**262**
Dividends approved in respect of the previous year	28(b)	**–**	**–**	**–**	**–**	**–**	**(903)**	**(903)**
Dividends declared in respect of the current year	28(a)	**–**	**–**	**–**	**–**	**–**	**(501)**	**(501)**
Shares purchased under share award scheme	24(b)	**(464)**	**–**	**–**	**–**	**–**	**–**	**(464)**
Shares issued under share option schemes	26	**–**	**26**	**–**	**(5)**	**–**	**–**	**21**
Expiry and forfeiture of share options	24(a)	**–**	**–**	**–**	**(6)**	**–**	**6**	**–**
Equity-settled share-based payment transactions	27(f)	**–**	**–**	**–**	**324**	**–**	**–**	**324**
Vesting of awarded shares of share award scheme	24(b)	**112**	**33**	**–**	**(145)**	**–**	**–**	**–**
Issuance of convertible bonds	21(c)	**–**	**–**	**–**	**–**	**463**	**–**	**463**
Balances as at 31 December 2020		**(797)**	**4,618**	**(945)**	**267**	**463**	**5,640**	**9,246**

27. Reserves (Continued)

(a) Share premium and distributability of reserves

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

The aggregate amount of distributable reserves, comprising share premium and retained profits, of the Company as at 31 December 2020 was HKD11,016 million (2019: HKD11,488 million).

(b) Capital reserve

Pursuant to the reorganisation of the Group prior to the listing of the Company on the Main Board of the Hong Kong Stock Exchange, Anta Enterprise Group Limited ("Anta Enterprise") entered into a deed of assignment with the controlling shareholders of the Company whereby advances from the controlling shareholders to ANTA Investment Limited (formerly known as Anda International Investment Limited) totalling HKD144 million (equivalent to RMB141 million) were assigned to Anta Enterprise at a consideration of HKD1.0. This assignment of debt was reflected as a reduction in the advances from the controlling shareholders and a corresponding increase in the capital reserve during 2007.

On 26 July 2017, the non-controlling shareholders of Full Prospect Sports Limited ("Full Prospect"), a subsidiary of the Group, requested to convert all its class B shares of Full Prospect to ordinary shares in accordance with the articles of Full Prospect. The long-term payable to non-controlling interests related to the class B shares was therefore derecognised. Such derecognition was reflected as a corresponding increase in capital reserve (amounting to RMB35 million) and non-controlling interest.

(c) Statutory reserve

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

(d) Fair value reserve (non-recycling)

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

(e) Exchange reserve

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

(f) Share-based compensation reserve

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

(g) Capital management

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

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

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

28. Dividends

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

	2020 RMB'million	2019 RMB'million
Interim dividend declared and paid of HK21 cents per ordinary share (2019: HK31 cents per ordinary share)	**501**	764
Final dividend recommended after the end of the reporting period of HK47 cents per ordinary share (2019: HK36 cents per ordinary share)	**1,062**	903
	1,563	1,667

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

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

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

29. Financial Risk Management and Fair Values

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

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables.

The Group's exposure to credit risk arising from pledged deposits, deposits with banks and cash and cash equivalents are limited because the counterparties are highly reputable and sizeable banks and financial institutions for which the Group considers to have low credit risk.

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

Except for the financial guarantee given by the Group relating to a joint venture as set out in note 16, the Group does not provide any other guarantees which would expose the Group to credit risk.

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

(Expressed in Renminbi unless otherwise indicated)

29. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

The Group's exposure to credit risk on trade receivables is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2019: 3%) and 9% (2019: 11%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

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

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

			2020			
	Expected loss rate	Gross carrying amount excluding specific debtor(s) RMB'million	Loss allowance excluding specific debtor(s) RMB'million	Gross carrying amount of specific debtor(s) RMB'million	Loss allowance of specific debtor(s) RMB'million	Total loss allowance RMB'million
Current	0.32%	3,709	(12)	–	–	(12)
Less than 3 months past due	4.69%	25	(1)	–	–	(1)
Past due over 3 months	50.00%	20	(10)	24	(24)	(34)
		3,754	(23)	24	(24)	(47)

			2019			
	Expected loss rate	Gross carrying amount excluding specific debtor(s) RMB'million	Loss allowance excluding specific debtor(s) RMB'million	Gross carrying amount of specific debtor(s) RMB'million	Loss allowance of specific debtor(s) RMB'million	Total loss allowance RMB'million
Current	0.13%	3,827	(5)	8	(8)	(13)
Less than 3 months past due	6.20%	68	(4)	3	(3)	(7)
Past due over 3 months	50.00%	21	(11)	10	(10)	(21)
		3,916	(20)	21	(21)	(41)

29. Financial Risk Management and Fair Values (Continued)

(a) Credit risk (Continued)

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

(b) Liquidity risk

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

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

	Contractual undiscounted cash outflows/(inflows)					Carrying amount on consolidated statement of financial position RMB'million
	Within 1 year or on demand RMB'million	More than 1 year but less than 2 years RMB'million	More than 2 years but less than 5 years RMB'million	More than 5 years RMB'million	Total RMB'million	
As at 31 December 2020						
Non-derivative financial liabilities:						
Bank loans	**933**	**71**	**4,103**	**–**	**5,107**	**4,801**
Bills payable (financing in nature)	**1,000**	**–**	**–**	**–**	**1,000**	**1,000**
Convertible bonds	**–**	**–**	**7,994**	**–**	**7,994**	**7,610**
Medium term notes	**40**	**40**	**1,040**	**–**	**1,120**	**1,013**
Trade payables	**2,376**	**–**	**–**	**–**	**2,376**	**2,376**
Other payables	**4,219**	**–**	**–**	**–**	**4,219**	**4,219**
Payable to non-controlling interests	**33**	**46**	**53**	**–**	**132**	**132**
Lease liabilities	**1,408**	**766**	**557**	**38**	**2,769**	**2,519**
Amounts due to related parties	**19**	**–**	**–**	**–**	**19**	**19**
	10,028	**923**	**13,747**	**38**	**24,736**	**23,689**
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	**102**	**–**	**–**	**–**	**102**	
– inflow	**(102)**	**–**	**–**	**–**	**(102)**	
Currency option contracts						
– outflow	**400**	**–**	**–**	**–**	**400**	
– inflow	**(397)**	**–**	**–**	**–**	**(397)**	
As at 31 December 2019						
Non-derivative financial liabilities:						
Bank loans	1,492	451	6,612	–	8,555	8,003
Bills payable (financing in nature)	1,200	–	–	–	1,200	1,200
Trade payables	2,963	–	–	–	2,963	2,963
Other payables	4,621	–	–	–	4,621	4,621
Lease liabilities	1,174	560	347	17	2,098	1,863
Amounts due to related parties	26	–	–	–	26	26
	11,476	1,011	6,959	17	19,463	18,676
Derivative financial instruments:						
Forward foreign exchange contracts						
– outflow	204	–	–	–	204	
– inflow	(204)	–	–	–	(204)	

(Expressed in Renminbi unless otherwise indicated)

29. Financial Risk Management and Fair Values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from floating rate bank loans. All of the bank deposits and other borrowings of the Group are fixed rate instruments and are insensitive to any change in market interest rates, other than repricing risk at maturity.

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

(i) Interest rate profile

The following table details the interest rate profile of the Group's bank loans as at the end of the reporting period:

	2020 Effective interest rate	**2020** RMB'million	2019 Effective interest rate	2019 RMB'million
Fixed rate portion:				
Bank loans	**1.02%~3.75%**	**848**	2.24%~3.80%	1,359
Variable rate portion:				
Bank loans	**EURIBOR +1.75%**	**3,943**	EURIBOR +1.75%	6,644
	HIBOR+1.5%	**10**		
Total		**4,801**		8,003
Fixed rate portion as a percentage of total bank loans		**18%**		17%

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates for floating rate bank loans, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB40 million (2019: RMB66 million). Other components of consolidated equity would not be affected (2019: Nil) by the changes in interest rates.

The sensitivity analysis has been performed assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019.

29. Financial Risk Management and Fair Values (Continued)

(d) Currency risk

The Group is exposed to currency risk primarily through contractual obligations, bank deposits and borrowings that are denominated in a foreign currency i.e. a currency other than the functional currency of the operations to which the transactions relate.

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

(i) Exposure to currency risk

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

	Exposure to foreign currencies (expressed in Renminbi)							
	2020 Renminbi RMB'million	**2020 Hong Kong Dollars RMB'million**	**2020 United States Dollars RMB'million**	**2020 Euros RMB'million**	2019 Renminbi RMB'million	2019 Hong Kong Dollars RMB'million	2019 United States Dollars RMB'million	2019 Euros RMB'million
Cash and cash equivalents	**256**	**20**	**172**	**110**	36	9	36	57
Fixed deposits held at banks with maturity over three months	**–**	**–**	**101**	**320**	400	–	202	–
Trade receivables	**–**	**6**	**4**	**–**	–	–	31	–
Other receivables	**–**	**5**	**–**	**–**	3	–	–	–
Amount due from group companies	**1,565**	**1,116**	**23**	**–**	118	785	33	–
Bank loans	**–**	**(10)**	**–**	**–**	(600)	–	–	–
Medium term notes	**(1,013)**	**–**	**–**	**–**	–	–	–	–
Trade payables	**–**	**–**	**(84)**	**–**	–	–	(57)	–
Other payables	**(37)**	**(2)**	**(232)**	**–**	–	–	(13)	–
Amount due to group companies	**–**	**(183)**	**(34)**	**(5,121)**	(35)	(10)	(35)	–
Gross exposure to currency risk	**771**	**952**	**(50)**	**(4,691)**	(78)	784	197	57
Notional amounts of forward foreign exchange contracts	**–**	**–**	**(102)**	**–**	–	–	(204)	–
Notional amounts of currency option contracts	**–**	**–**	**–**	**(400)**	–	–	–	–
Net exposure to currency risk	**771**	**952**	**(152)**	**(5,091)**	(78)	784	(7)	57

(Expressed in Renminbi unless otherwise indicated)

29. Financial Risk Management and Fair Values (Continued)

(d) Currency risk (Continued)

(ii) Sensitivity analysis

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

	2020 Increase/ (decrease) in foreign exchange rates in %	2020 Effect on profit after taxation and retained profits RMB'million	2020 Effect on other components of equity RMB'million	2019 Increase/ (decrease) in foreign exchange rates in %	2019 Effect on profit after taxation and retained profits RMB'million	2019 Effect on other components of equity RMB'million
Renminbi	**5**	**39**	**(39)**	5	(4)	4
	(5)	**(39)**	**39**	(5)	4	(4)
Hong Kong Dollars	**5**	**46**	**(35)**	5	39	(37)
	(5)	**(46)**	**35**	(5)	(39)	37
United States Dollars	**5**	**(6)**	**328**	5	(1)	202
	(5)	**6**	**(328)**	(5)	1	(202)
Euros	**5**	**(255)**	**(322)**	5	3	(332)
	(5)	**255**	**322**	(5)	(3)	332

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 2019.

29. Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

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

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

		Fair value measurements as at 31 December 2020 categorised into		
	Total RMB'million	**Level 1 RMB'million**	**Level 2 RMB'million**	**Level 3 RMB'million**
Recurring fair value measurements				
Financial assets/(liabilities):				
Equity instruments:				
– Unlisted equity investments	**70**	**–**	**–**	**70**
Debt instruments:				
– Unlisted debt securities	**270**	**–**	**270**	**–**
Derivative financial instruments:				
– Forward foreign exchange contracts	**2**	**–**	**2**	**–**
– Currency option contracts	**(17)**	**–**	**(17)**	**–**

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

During the financial year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(Expressed in Renminbi unless otherwise indicated)

29. Financial Risk Management and Fair Values (Continued)

(e) Fair values measurement (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial assets/liabilities in Level 2 is determined by discounting the expected future cash flows at prevailing market interest rate as at the end of the reporting period or option pricing model that incorporated present value techniques and reflected both the time value and the intrinsic value, taking into account the terms and conditions of the contracts.

Information about Level 3 fair value measurements

The fair values of the unlisted equity investments are determined by using the adjusted net assets value method and comparable company method, with unobservable inputs of net assets value and price/book ratio respectively. The fair value measurements are positively correlated to the net assets value and the price/book ratio.

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

The carrying amounts of all financial assets and liabilities measured at amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

30. Capital Commitments

Capital commitments outstanding as at 31 December 2020 not provided for in the financial statements were as follows:

	2020 RMB'million	2019 RMB'million
Contracted for	**2,478**	1,219
Authorised but not contracted for	**396**	466
	2,874	1,685

31. Material Related Party Transactions

(a) Transactions with related parties

During the reporting period the Group entered into the following transactions with related parties:

	2020 RMB'million	2019 RMB'million
Recurring transactions		
Purchases of raw materials		
– Quanzhou Anda Packaging Co., Ltd. ("Quanzhou Anda")	**101**	91
Service fees		
– Mr. Ding Shijia (and his associates)	**19**	20

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

The above 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.

31. Material Related Party Transactions (Continued)

(b) Balances with related parties

	2020 RMB'million	2019 RMB'million
Amounts due to related parties		
Trade balance		
– Quanzhou Anda	**16**	14
Other balance		
– Mr. Ding Shijia (and his associates)	**3**	12
	19	26

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:

	2020 RMB'million	2019 RMB'million
Short-term employee benefits	**22**	21
Equity-settled share-based payment transactions	**32**	8
	54	29

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

32. Significant Accounting Estimates and Judgements

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The Group believes the following critical accounting policies involve the most significant estimates and judgements used in the preparation of the financial statements. Accounting estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairments

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

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

32. Significant Accounting Estimates and Judgements (Continued)

(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) Loss allowance for trade receivables

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

(d) Provision for deferred tax

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

33. Revised IFRSs/HKFRSs

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

Amendment to IFRS/HKFRS 16, COVID-19-Related Rent Concessions

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

The Group has elected to early adopt the amendment and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments with amount of RMB131 million credited to profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Other than the amendment to IFRS/HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

34. Non-adjusting Event after the Reporting Period

After the end of the reporting period the Directors recommended a final dividend of HK47 cents per share. Further details are disclosed in note 28.

35. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the Year ended 31 December 2020

Up to the date of issue of these financial statements, the IASB/HKICPA have issued a number of amendments, and a new standard, IFRS/HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it is concluded that the adoption of them is unlikely to have significant impact on the consolidated financial statements.

36. Immediate and Ultimate Holding Company

The Directors consider the immediate and ultimate holding company of the Company as at 31 December 2020 to be Anta International Group Holdings Limited, which is incorporated in the BVI. This entity does not produce financial statements available for public use.

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board on 24 March 2021.

(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 2020 comprise the Company and its subsidiaries (collectively the "Group") and the Group's investment in a joint venture. These financial statements are presented in Renminbi (RMB), rounded to the nearest million (unless otherwise indicated). The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting polices set out below:

– Debt securities (see (E))

– Equity investments (see (E))

– Derivative financial instruments (see (N))

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

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

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

(C) Subsidiaries and Non-Controlling Interests

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

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

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

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

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

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

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

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

(D) Joint Venture

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see (J)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee.

Unrealised profits and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see (E)).

(E) Other Investments

The Group's policies for investments in debt securities and equity investments, other than investments in subsidiaries and investment in a joint venture, are set out below.

Debt securities and equity investments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(e). These investments are subsequently accounted for as follows, depending on their classification.

Debt securities

Debt securities are measured at FVTPL if the investments are not held for the collection of contractual cash flows which represent solely payments of principal and interest, or if the contractual cash flows of the investment comprise not solely payments of principal and interest and the investment is not held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in the fair value of the investment (including interest income) are recognised in profit or loss.

Equity investments

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

(F) Property, Plant and Equipment

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(G) Construction in Progress

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

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

(H) Intangible Assets

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

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

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

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

(I) Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases (if any) that have a lease term of 12 months or less and leases of low-value assets (if any). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see (J)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the Pandemic and which satisfied the conditions set out in paragraph 46B of IFRS/HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS/HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(J) Credit Losses and Impairment of Assets

(i) Credit losses from financial assets

The Group recognises a loss allowance for ECLs on financial assets measured at amortised cost, including pledged deposits, deposits with banks, cash and cash equivalents, trade receivables and other receivables. Other financial assets measured at fair value, including debt securities measured at FVTPL, equity investments designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

For all other financial assets, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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

(i) Credit losses from financial assets (Continued)

Significant increases in credit risk

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

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

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

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

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

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

(i) Credit losses from financial assets (Continued)

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

- property, plant and equipment;
- right-of-use assets;
- intangible assets;
- construction in progress;
- investment in a joint venture; and
- investments in subsidiaries in the Company-level statement of financial position.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

(K) Inventories

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

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

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

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

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

(L) Contract liabilities

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

(M) Trade Receivables and Other Receivables

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

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

(N) Derivative Financial Instruments

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

(O) Interest-bearing Borrowings

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

(P) Trade Payables and Other Payables

Payables are initially recognised at fair value, except for financial guarantee liabilities measured in accordance with (Q), payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(Q) Financial Guarantee

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "other payables" at fair value, which is determined based upon the probability of default by the specified debtor extrapolated from market-based credit information and the amount of loss, given the default. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(Q) Financial Guarantee (Continued)

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in (J)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(R) Convertible Bonds

Convertible bonds that can be converted into ordinary shares at the option of the holder, where the number of shares to be issued is fixed, are accounted for as compound financial instruments, i.e. they contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured at fair value based on the future interest (if any) and principal payments, discounted at the prevailing market rate of interest for similar non-convertible instruments. The remainder of the proceeds is allocated to the conversion option as the equity component. Transaction costs associated with the issuance of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the reserve until either the bonds are converted or redeemed.

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

(S) Cash and Cash Equivalents

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

(T) Employee Benefits

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

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

(ii) Share-based payment transactions

The fair values of share options and awarded shares granted to employees are recognised as employee costs with corresponding increases in share-based compensation reserve within equity. The fair values are measured at grant date using the (a) in respect of share options, Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted; and (b) in respect of awarded shares, the market price of the Company's shares. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options or awarded shares, the total estimated fair values of the options and awarded shares are spread over the vesting period, taking into account the probability that the options and awarded shares will vest.

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

(U) Income Tax

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

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

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

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.

(U) Income Tax (Continued)

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

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

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

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(V) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(W) Revenue and other income

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

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

(i) Sale of goods

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

In case customers have a right to return products under certain circumstances, the Group then may not be entitled to the consideration received or receivable. Therefore, a refund liability and an asset in relation to refund are recognised. Accumulated experience is used to estimate such returns at the time of sale. The validity of this assumption and the estimated amount of returns are reassessed at the end of each reporting period.

(ii) Interest income

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

(iii) Government grants

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

(iv) Dividends income from equity instruments

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

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

(X) Translation of Foreign Currencies

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company is Hong Kong Dollars.

The financial statements are presented in RMB ("presentation currency").

(X) Translation of Foreign Currencies (Continued)

(ii) Transactions and balances

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities.

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

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

(Y) Research and Development

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

(Z) Dividends

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

(AA) Borrowing costs

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

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

(BB) Related Parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(BB) Related Parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(CC) Segment Reporting

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

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

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Anta Enterprise Group Limited ("Anta Enterprise")	BVI/Hong Kong	USD10,000	100%	–	Investment holding
Motive Force Sports Products Limited ("Motive Force")	BVI/Hong Kong	USD10,000	100%	–	Investment holding
REEDO Sports Products Limited ("REEDO Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANDES Sports Products Limited ("ANDES Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
Origin Force Holding Limited ("Origin Holding")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANKO Sports Products Limited ("ANKO Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANKING Sports Products Limited ("ANKING Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANLLIAN Sports Products Limited ("ANLLIAN Sports")	BVI/Hong Kong	EUR700,000,001	100%	–	Investment holding
ANTHA Sports Products Limited ("ANTHA Sports")	BVI/Hong Kong	USD1	100%	–	Investment holding
ANLLIAN Capital Limited ("ANLLIAN Capital")	BVI/Hong Kong	EUR1	100%	–	Investment holding
ANTA Investment Limited ("ANTA Inv")	Hong Kong	HKD1,000,000	–	100%	Investment holding
ANTA International Limited ("ANTA Int'l")	Hong Kong	HKD1	–	100%	Management services
Origin Force Investment Limited ("Origin Investment")	Hong Kong	HKD1	–	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 (ii) and (iii))	PRC	HKD80,000,000	–	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 (ii) and (iii))	PRC	HKD50,000,000	–	100%	Manufacturing of sporting goods

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
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	HKD1,130,000,000	–	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
廈門群鯉實業有限公司(「廈門群鯉」) Xiamen Qunli Industrial Co., Limited (“Xiamen Qunli Industrial”) (Notes (ii) and (iii))	PRC	RMB160,000,000	–	100%	Property development
廈門安踏有限公司(「廈門安踏」) Xiamen ANTA Company Limited (“Xiamen ANTA”) (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Investment holding and trading of sporting goods
福建安踏物流信息科技有限公司(「安踏物流」) Fujian ANTA Logistics Information Technology Co., Ltd.(“ANTA Logistics”) (Notes (ii) and (iii))	PRC	RMB779,000,000	–	100%	Logistics services
廈門安踏實業有限公司(「廈門安踏實業」) Xiamen ANTA Industrial Limited (“Xiamen ANTA Industrial”) (Notes (ii) and (iii))	PRC	RMB100,000,000	–	100%	Manufacturing of sporting goods
廈門安踏電子商務有限公司(「廈門安踏電子商務」) Xiamen ANTA E-Commerce Limited (“Xiamen ANTA E-Commerce”) (Notes (ii) and (iii))	PRC	RMB20,000,000	–	100%	Retailing of sporting goods
河南安踏體育用品有限公司(「河南安踏」) Henan ANTA Sports Products Limited (“Henan ANTA”) (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Trading of sporting goods
河南安踏鞋材有限公司(「河南鞋材」) Henan ANTA Material Supply Limited (“Henan Material”) (Notes (ii) and (iii))	PRC	RMB150,000,000	–	100%	Manufacturing of shoe sole
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	RMB53,565,023	–	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	RMB290,000,000	–	100%	Trading of sporting goods

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest 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	HKD79,800,000	–	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	HKD1,000,000	–	85%	Trading of sporting goods
斐樂體育有限公司(「斐樂中國」) Fila Sports 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	RMB60,000,662	–	85%	Investment holding
SPRANDI Investment Limited ("SPRANDI Investment")	Hong Kong	HKD1	–	85%	Investment holding
REEDO (Hong Kong) Limited ("REEDO Hong Kong")	Hong Kong	HKD100	–	85%	Investment holding
斯潘迪(中國)有限公司(「斯潘迪中國」) SPRANDI (China) Limited ("SPRANDI China") (Notes (i) and (iii))	PRC	RMB30,000,000	–	85%	Trading of sporting goods
廈門斯潘迪有限公司(「廈門斯潘迪」) Xiamen SPRANDI Limited ("Xiamen SPRANDI") (Notes (ii) and (iii))	PRC	–	–	85%	Retailing of sporting goods
Descente China Holding Limited ("Descente China Holding" or "DCH")	Cayman Islands	RMB310,527,000	–	54%	Investment holding

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Descente China Investment Limited ("Descente China Investment" or "DCI")	Hong Kong	RMB1	–	54%	Retailing of sporting goods
迪桑特（中國）有限公司（「迪桑特中國」或「DCC」） Descente (China) Limited ("Descente China" or "DCC") (Notes (i) and (iii))	PRC	RMB100,000,000	–	54%	Trading and retailing of sporting goods
上海迪知服飾有限公司（「上海迪知」或「SDA1」） Shanghai Digi Apparel Co.,Ltd ("Shanghai Digi" or "SDA1") (Notes (ii) and (iii))	PRC	–	–	54%	Retailing of sporting goods
上海迪晟服飾有限公司（「上海迪晟」或「SDA2」） Shanghai Disheng Apparel Co., Ltd ("Shanghai Disheng" or "SDA2") (Notes (ii) or (iii))	PRC	RMB20,000,000	–	54%	Retailing of sporting goods
Descente China IP Limited ("Descente IP")	Cayman Islands	USD100,000	–	54%	Trademark holding
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
瀋陽安踏實業有限公司（「瀋陽安踏實業」） Shenyang ANTA Industrial Limited ("Shenyang ANTA Industrial") (Notes (ii) and (iii))	PRC	RMB40,000,000	–	100%	Retailing of sporting goods
上海斐樂體育發展有限公司（「上海斐樂」） Shanghai Fila Sports Development Co., Ltd. ("Shanghai Fila") (Notes (ii) and (iii))	PRC	RMB10,000,000	–	85%	Retailing of sporting goods
Kolon Sport China Holdings Limited ("Kolon Sport Holdings")	Hong Kong	USD80,000,000	–	50%	Investment holding
Kolon Sport China (IP) Pte. Ltd. ("Kolon Sport IP")	Singapore/Hong Kong	USD33,220,000	–	50%	Trademark holding

Name of company	Place of incorporation/ operation	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	HKD20,286,500	–	100%	Investment holding and retailing of kid’s apparel goods
Profit Dynamic Limited (“Profit Dynamic”)	Hong Kong/Taiwan	HKD32,500,000	–	100%	Retailing of kid’s apparel goods
Billion Treasure International Limited (“Billion Treasure International”)	Hong Kong	HKD1,000,000	–	100%	Retailing of kid’s apparel goods
Esteemed Elite Holdings Limited (“Esteemed Elite Holdings”)	BVI/Hong Kong	USD1	–	100%	Investment holding
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	HKD11,000,000	–	100%	Retailing of kid’s apparel goods
ANTA US CO. LTD (“ANTA US”)	United States	–	–	100%	Product design
Kingkow Investment Limited (“Kingkow Investment”)	Hong Kong	HKD1	–	100%	Investment holding
上海群隆服飾有限公司(「上海群隆」) Shanghai Qunlong Style Co., Ltd. (“Shanghai Qunlong”)(Notes (ii) and (iii))	PRC	RMB20,000,000	–	50%	Retailing of sporting goods
可隆體育(中國)有限公司(「可隆體育中國」) Kolon Sport (China) Co., Ltd. (“Kolon Sport China”) (Notes (i) and (iii))	PRC	RMB100,000,000	–	50%	Trading of sporting goods
Motive Force E-commerce Limited (“Motive Force E-commerce”)	Hong Kong	HKD1,000,000	–	100%	Retailing of sporting goods
安啟服飾有限公司(「安啟服飾」) Anqi Style Co., Ltd. (“Anqi Style”) (Notes (ii) and (iii))	PRC	RMB50,000,000	–	100%	Retailing of sporting goods
寧波斐越服飾有限公司(「寧波斐越」) Ningbo Feiyue Style Co., Ltd. (“Ningbo Feiyue”) (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Trading of sporting goods
Anta Sports Korea Co., Ltd. (“ANTA Korea”) (Note (v))	Korea	KRW100,000,000	–	100%	Product design
小笑牛服飾有限公司(「小笑牛服飾」) Kingkow Style Co., Ltd. (“Kingkow Style”) (Notes (ii) and (iii))	PRC	RMB10,000,000	–	100%	Retailing of kid’s apparel goods

PRINCIPAL SUBSIDIARIES

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
小笑牛（中國）有限公司（「小笑牛中國」） Kingkow (China) Company Limited (“Kingkow China”) (Notes (i) and (iii))	PRC	RMB35,000,000	–	100%	Trading of kid’s apparel goods
Kingkow (IP) Pte. Ltd. (“Kingkow IP”)	Singapore/Hong Kong	USD1	–	100%	Trademark holding
Kingkow (Macao) Limited (“Kingkow Macao”)	Macao	MOP25,000	–	100%	Retailing of kid’s apparel goods
晉江安心物業管理有限公司 （「晉江安心物業管理」） Jinjiang Anxin Property Management Co., Ltd. (“Jinjiang Anxin Property”) (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Property management
廈門安踏進出口有限公司（「廈門安踏進出口」） Xiamen ANTA Import and Export Co., Ltd. (“Xiamen ANTA Import and Export”) (Notes (ii) and (iii))	PRC	RMB21,000,000	–	100%	Importing and exporting of sporting goods
上海耀盛實業發展有限公司（「上海耀盛實業」） Shanghai Yaosheng Industrial Co., Limited (“Shanghai Yaosheng Industrial”) (Notes (ii) and (iii))	PRC	RMB800,000,000	–	100%	Property development
上海安踏體育用品有限公司（「上海安踏體育」） Shanghai ANTA Sports Products Limited (“Shanghai ANTA Sports”) (Notes (ii) and (iii))	PRC	RMB1,000,000	–	100%	Research and development
斐尚服飾有限公司 Feishang Style Co., Limited (“Feishang Style”) (Notes (ii) and (iii))	PRC	RMB50,000,000	–	60%	Retailing of sporting goods
斐達服飾有限公司 Feida Style Co., Limited (“Feida Style”) (Notes (ii) and (iii))	PRC	RMB20,000,000	–	52%	Retailing of sporting goods
斐鴻服飾有限公司 Feihong Style Co., Limited (“Feihong Style”) (Notes (ii) and (iii))	PRC	RMB20,010,000	–	51%	Retailing of sporting goods
Avid Sports International Limited (“Avid Sports International”)	BVI	USD7,000,000	–	50%	Investment holding
Avid Sports Malaysia Sdn. Bhd. (“Avid Sports Malaysia”)	Malaysia	MYR1,000,000	-	50%	Retailing of sporting goods
Avid Sports Limited (“Avid Sports Hong Kong”)	Hong Kong	HKD1	-	50%	Investment holding
Avid Sports Management Services Sdn. Bhd. (“Avid Sports Management”)	Malaysia	MYR1	-	50%	Management services

Name of company	Place of incorporation/ operation	Paid up capital	Attributable equity interest Direct	Indirect	Principal activities
福建安越體育科技有限公司(「安越體育科技」) Fujian Anyue Sports Technology Co., Ltd ("Anyue Sports Technology") (Notes (ii) and (iii))	PRC	-	-	100%	Research and development
商丘安踏鞋業有限公司(「商丘鞋業」) Shangqiu Anta Shoes Co., Ltd. ("Shangqiu Shoes") (Notes (ii) and (iii))	PRC	RMB100,000,000	-	85%	Manufacturing of sporting shoes

Notes:

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

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

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

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

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

GLOSSARY

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

AMER SPORTS
Amer Sports Oy (Amer Sports Corporation), a sporting goods company incorporated in the Republic of Finland

ANDA HOLDINGS
Anda Holdings International Limited

ANDA INVESTMENTS
Anda Investments Capital Limited

ANTA
ANTA brand

ANTA INTERNATIONAL
Anta International Group Holdings Limited

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

ANTA SPORTS/ COMPANY
ANTA Sports Products Limited

ANTA STORE(S)
ANTA retail store(s)

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

AUDIT COMMITTEE
The audit committee of the Company

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

DESCENTE
DESCENTE brand

DESCENTE STORE(S)
DESCENTE retail store(s)

DTC
Direct to Consumer

EBITDA
Earnings before interest, taxes, depreciation and amortisation

EXECUTIVE DIRECTORS
Executive directors of the Company

ESG
Environmental, social and governance

EURO, EUR
Euro, the lawful currency of European Union

FILA
FILA brand

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

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

FILA STORE(S)
FILA retail store(s)

GDP
Gross Domestic Product

GROUP
The Company and its subsidiaries

HONG KONG
The Hong Kong Special Administrative Region of the PRC

HONG KONG DOLLARS, HKD
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

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

MACAO
The Macao Special Administrative Region of the PRC

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

NASA
National Aeronautics and Space Administration

NBA
National Basketball Association

NOMINATION COMMITTEE
The nomination committee of the Company

NON-EXECUTIVE DIRECTOR
Non-executive director of the Company

OEM
Original Equipment Manufacturer

O2O MODEL
Online-to-offline commerce

PANDEMIC
2019 novel coronavirus disease (COVID-19)

R&D
Research and development

REMUNERATION COMMITTEE
The remuneration committee of the Company

RISK MANAGEMENT COMMITTEE
The risk management committee of the Company

RMB
Renminbi, the lawful currency of the PRC

SHARE(S)
Ordinary share(s) of HKD0.10 each in the share capital of the Company

SHAREHOLDERS
Shareholders of the Company

SINGAPORE
Republic of Singapore

SPRANDI
SPRANDI brand

US
United States of America

USD
United States Dollars, the lawful currency of the United States of America

WWF
World Wide Fund for Nature

YEAR
The year ended 31 December 2020

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

Production and Printing – Equity www.equitygroup.com.hk

IR.ANTA.COM

ANTA · ANTA KIDS · FILA · FILA KIDS · FILA FUSION · DESCENTE · KOLON SPORT

DIVIDENDS

The Board recommends the payment of a final dividend of HK47 cents per ordinary share in respect of the year ended 31 December 2020 subject to the approval of the shareholders at the forthcoming annual general meeting. The proposed final dividend will be payable on or about Wednesday, 26 May 2021 to shareholders whose names appear on the register of members of the Company as at 4:30 p.m. on Wednesday, 12 May 2021. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 12 May 2021 for registration.

ANNUAL GENERAL MEETING ("AGM")

The forthcoming AGM of the Company will be held in Hong Kong on Friday, 7 May 2021. 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, 5 May 2021, to Friday, 7 May 2021, 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, 4 May 2021.

PUBLICATION OF RESULTS ANNOUNCEMENT

This annual results announcement is 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.

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

Hong Kong, 24 March 2021

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