



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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

- Obtained listing status on 10 July 2007 on the Main Board of The Stock Exchange of Hong Kong Limited
- Achieved 1H 2007 revenue and profit results higher than the entire year of 2006
- Turnover rose by 203.1% to RMB1,497.7 million, which includes sales of International branded products amounting to RMB50.1 million
- Profit attributable to shareholders grew by 284.3% to RMB203.3 million
- Basic earnings per share increased by 289.7% to RMB11.3 cents
- Gross profit margin increased by 8.9% points to 33.5% points
- Operating profit margin increased by 4.7% points to 15.6% points
- Net profit margin increased by 2.9% points to 13.6% points

CHAIRMAN'S STATEMENT

On behalf of the board of Directors (the "Board") of ANTA Sports Products Limited ("ANTA Sports" or the "Company"), I am pleased to report the interim results of the Company and its subsidiaries ("ANTA" or the "Group") for the six months ended 30 June 2007.

During the period under review, the Group's turnover reached RMB1,497.7 million, representing an increase of 203.1% compared with the corresponding period last year. Net profit attributable to shareholders increased by 2.8 times as compared with the same period in 2006, amounting to RMB203.3 million (2006: RMB52.9 million). Earnings per share was RMB11.3 cents (2006: RMB2.9 cents).

As stated in the prospectus of the Company dated 26 June 2007, we intend to pursue a dividend payout policy of at least 25% of the consolidated profit attributable to shareholders for the financial year ending 31 December 2007.

This year is a landmark year in ANTA Sports' corporate history. On 10 July 2007, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong and have since received positive receptivity from the global capital markets. Gross proceeds from the Global Offering amounted to HK\$3,643.2 million. Such an achievement has reflected investors' great confidence in the potential of the China's sportswear consumer market and for ANTA Sports in particular.

With the continuous surge of China's economy and the increasing purchasing power and preference to sports and health of general populace in China, together with well-received ANTA brand, wide-range of new product offerings, effective expansion of the nation-wide distribution network and quick responsiveness to the changing market demands, the Group has achieved better operating results in the first half of 2007 than for the whole year of 2006.

The Group will continue the expansion of its distribution channels. We plan to open flagship stores and sports retail complexes in the second half of 2007. For ANTA authorized retail outlets, we will further support our distributors to upgrade the store image, relocate to prime locations and increase the sales floor area to support the expected upsurge in sales in the coming

Olympic year. The Group will further increase its spending on brand promotion and research and development to enhance our brand impact through the Olympic Games. The Group will also continue to expand our production capacity and strengthen our supply chain infrastructure to respond efficiently to changes in customer demands.

We launched our marketing campaign for the 2008 Beijing Olympic Games on 8 August 2007 and will continue to communicate with the general public by a series of marketing activities and events through various media. We believe that China's economy and consumer market will continue to prosper following the 2008 Beijing Olympic Games in view of coming mega-events such as the 2010 Shanghai Expo, the 2010 Guangzhou Asian Games and the 2011 Shenzhen University Games, which will continue to support ANTA Sports' business growth.

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business partners for their support and trust, and also to our employees for their contribution. I am confident that we can achieve even greater success together for the year as a whole.

Ding Shizhong
Chairman

Hong Kong, 12 September 2007

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007 — unaudited
(Expressed in thousands of Renminbi)

	Note	Six months ended 30 June	
		2007 RMB'000	2006 RMB'000
Turnover	3	1,497,735	494,172
Cost of sales		(995,324)	(372,350)
Gross profit		502,411	121,822
Other revenue		2,754	814
Other net expenses		(45)	(228)
Selling and distribution expenses		(215,033)	(57,097)
Administrative expenses		(55,787)	(11,628)
Profit from operations		234,300	53,683
Finance costs	4	(1,398)	(212)
Profit before taxation	4	232,902	53,471
Income tax	5	(29,627)	(611)
Profit for the period		203,275	52,860
Earnings per share			
— basic (RMB)	7	0.113	0.029
— diluted (RMB)	7	0.113	—

CONDENSED CONSOLIDATED BALANCE SHEET*At 30 June 2007 — unaudited**(Expressed in thousands of Renminbi)*

		30 June 2007	31 December 2006
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		247,041	160,806
Construction in progress		66,435	76,463
Lease prepayments		24,016	24,331
Intangible assets		4,341	3,566
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Total non-current assets		341,833	265,166
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Current assets			
Other financial assets		—	1,200
Inventories	8	264,580	154,466
Trade and other receivables	9	273,177	202,113
Amounts due from related parties		4,106	52,175
Pledged deposits		5,024	4,900
Cash and cash equivalents		162,273	176,335
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Total current assets		709,160	591,189
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Total assets		1,050,993	856,355
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Current liabilities			
Bank loans (unsecured)		—	50,000
Trade and other payables	10	467,495	325,089
Amounts due to related parties		15,369	1,597
Advances from the Controlling Shareholders of the Company		—	220,472
Dividend payable		—	21,286
Current taxation		18,101	—
		<hr/>	<hr/>
Total current liabilities		500,965	618,444
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Net current assets/(liabilities)		208,195	(27,255)
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Total assets less current liabilities		550,028	237,911
		<hr/>	<hr/>
Equity			
Share capital		152	51,216
Reserves		549,876	186,695
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Total equity		550,028	237,911
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Total liabilities and equity		1,050,993	856,355
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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PRESENTATION AND PREPARATION

(a) Basis of presentation

ANTA Sports Products Limited (“the Company”) was incorporated in the Cayman Islands on 8 February 2007 in preparing for the listing of the Company’s shares on the Main Board of the Stock Exchange (“Stock Exchange”). The Company and its subsidiaries (“the Group”) are principally engaged in manufacturing and trading and distribution of sporting goods including footwear, apparel and accessories. Pursuant to the group reorganisation (the “Reorganisation”), the Company acquired the issued shares of Anta Enterprise Group Limited (“Anta Enterprise”) and Motive Force Sports Products Limited (“Motive Force”) by issuing shares to their common shareholders (“Controlling Shareholders”) and became the holding company of the Group on 16 June 2007. Details of the Reorganisation are set out in the prospectus of the Company dated 26 June 2007 (“Prospectus”).

The shares of the Company were listed on the Stock Exchange on 10 July 2007.

The Group is regarded as a continuing entity resulting from the Reorganisation under common control. Accordingly, the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2007 and the comparatives have been prepared as if the current group structure had been in existence throughout the six months ended 30 June 2006 and 2007, or since the respective dates of incorporation/establishment.

For the purpose of the interim financial report, the assets, liabilities and results of operations of the predecessor entities have also been included in the Group’s condensed consolidated financial statements up to the date of completion of the Reorganisation.

The assets and liabilities that were retained by a predecessor entity, after the Reorganisation have been reflected as a deemed distribution to the Controlling Shareholders during the six months ended 30 June 2007.

(b) Basis of preparation

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting, issued by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 12 September 2007.

The interim financial report has also been prepared in accordance with substantially the same accounting policies adopted in the accountants’ report set out in Appendix I to the prospectus dated 26 June 2007 (“Accountants’ Report”).

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

In preparing the interim financial report, the significant judgements made by management in applying the Group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements in the Accountants’ Report.

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

The interim financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, on the historical cost basis.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2 NEW AND REVISED IFRSs

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2007, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of the interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of the interim financial report.

The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in these financial statements for the periods presented.

3 TURNOVER AND SEGMENT REPORTING

(a) Business Segment

Segment information is presented in respect of the Group's business segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting system. In view of the fact that the Group operates mainly in the People's Republic of China ("PRC"), no geographical segment is presented. Turnover represents the sales value of goods sold less returns, discounts, value added taxes and other sales taxes.

The Group comprises the following main business segments:

- (i) ANTA branded products — manufacturing and trading of ANTA branded sporting goods, including footwear, apparel and accessories.
- (ii) International branded products — distribution of sporting goods of international brands, including adidas, Reebok and Kappa (collectively "International Brands").

Segment results

	ANTA Brand		International Brands		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover						
External sales	<u>1,447,684</u>	494,172	<u>50,051</u>	—	<u>1,497,735</u>	494,172
Segment results						
Finance costs	237,243	53,683	(2,943)	—	<u>234,300</u>	53,683
					<u>(1,398)</u>	(212)
Profit before taxation					<u>232,902</u>	53,471
Taxation					<u>(29,627)</u>	(611)
Profit after taxation					<u><u>203,275</u></u>	<u>52,860</u>

Segment assets and liabilities

	ANTA Brand		International Brands		Total	
	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000	As at 30 June 2007 RMB'000	As at 31 December 2006 RMB'000
Assets						
Segment assets	916,950	786,940	104,997	55,707	1,021,947	842,647
Unallocated assets					29,046	13,708
Total assets					1,050,993	856,355
Liabilities						
Segment liabilities	412,153	363,685	88,660	28,236	500,813	391,921
Unallocated liabilities					152	226,523
Total liabilities					500,965	618,444
Other segment information						
Depreciation	8,301	11,482	1,723	—	10,024	11,482
Amortisation	424	367	—	—	424	367
Total depreciation and amortisation					10,448	11,849

(b) Geographical segment

No geographical segment analysis is presented as substantially all assets, turnover and contribution to operating profit of the Group are attributable to the PRC.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Cost of inventories (i) (note 12)	995,324	372,350
Staff costs (ii)	85,836	30,572
Interest on bank borrowings wholly repayable within five years	1,398	212
Depreciation	10,024	5,474
Amortisation		
— lease prepayments	315	258
— intangible assets	109	109
Subcontracting charges (i)	109,736	6,316
Auditors' remuneration	169	85
Operating lease charges in respect of properties	8,560	—
Research and development costs (ii)	23,283	1,445

(i) Cost of inventories included subcontracting charges as disclosed above.

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

5 INCOME TAX IN THE CONDENSED CONSOLIDATED INCOME STATEMENT

Income tax in the condensed consolidated income statement represents:

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Current tax — PRC income tax		
Provision for the period	29,627	611

- (i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.
- (ii) No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2007.
- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 33% of the assessable profit of the companies comprising the Group, except for certain subsidiaries, which have not yet commenced business operation, or have not generated taxable income, or are exempted or taxed at preferential rates ranging from 12% to 15%.

During the period, a subsidiary was entitled to a tax concession period of one year, during which it was fully exempted from PRC enterprise income tax. Two subsidiaries which are foreign investment enterprises are entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year is exempted from income tax in the PRC and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate set by the local authorities.

From 1 January 2008, as a result of the Fifth Plenary Session of the Tenth National People’s Congress which passed the enterprise income tax law of the PRC, the enterprise income tax rate for domestic and foreign enterprises is expected to be unified at the standard rate of 25% over a five-year transition period. However, the new tax law has not set out the details as to how the existing preferential tax rates currently applied to certain subsidiaries will gradually increase to the standard rate of 25%.

6 DIVIDENDS

The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: RMB nil).

7 EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to equity shareholders of the Company for the period and on the assumption that 1,800 million shares were in issue as if the shares issued as at the date the Company became the holding company of the Group were outstanding throughout the entire period.

Diluted earnings per share is calculated based on the weighted average number of ordinary shares in issue adjusted for the potential dilutive effect caused by the share options granted under the Pre-IPO Share Option Scheme (note 19(a)) assuming they were exercised. No disclosure of diluted earnings per share for the six-months ended 30 June 2006 has been made as there were no potential dilutive ordinary shares outstanding during that period.

8 INVENTORIES

	30 June 2007	31 December 2006
	RMB'000	RMB'000
Raw materials	123,694	102,306
Work in progress	18,498	2,390
Finished goods	122,388	49,770
	<u>264,580</u>	<u>154,466</u>

An analysis of the amount of inventories recognised as an expense is as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Cost of inventories sold	994,643	372,325
Write-down of inventories	681	25
	<u>995,324</u>	<u>372,350</u>

9 **TRADE AND OTHER RECEIVABLES**

	30 June 2007	31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	145,757	78,256
Deposits and prepayments	114,276	102,826
Others	13,144	21,031
	<u>273,177</u>	<u>202,113</u>

All of the trade and other receivables are expected to be recovered within one year.

An ageing analysis of the trade receivables is as follows:

	30 June 2007	31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	145,676	73,844
3 months to 6 months	—	1,508
6 months to 1 year	81	2,597
Over 1 year	—	307
	<u>145,757</u>	<u>78,256</u>

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

10 **TRADE AND OTHER PAYABLES**

	30 June 2007	31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	281,787	210,158
Bills payable	38,430	42,500
Receipts in advance	37,881	27,979
Other payables and accruals	109,397	44,452
	<u>467,495</u>	<u>325,089</u>

Bills payable as at 30 June 2007 were secured by pledged bank deposits (See note 15).

An ageing analysis of the trade and bills payables is as follows:

	30 June 2007	31 December 2006
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	307,307	231,782
3 months to 6 months	10,972	7,617
6 months to 1 year	278	7,197
Over 1 year	1,660	6,062
	<u>320,217</u>	<u>252,658</u>

	Six months ended 30 June		Changes (in %)
	2007 RMB'million	2006 RMB'million	
Profitability data			
Turnover	1,497.7	494.2	203.1
Gross profit	502.4	121.8	312.5
Profit from operations	234.3	53.7	336.3
Profit attributable to shareholders	203.3	52.9	284.3
	RMB'cent	RMB'cent	
Basic earnings per share	11.3	2.9	289.7
Diluted earnings per share	11.3	n/a	n/a
Profitability ratios			
	(in % points)	(in % points)	(in % points)
Gross profit margin	33.5	24.6	8.9
Operating profit margin	15.6	10.9	4.7
Net profit margin	13.6	10.7	2.9
Effective tax rate	12.7	1.1	11.6
Operating ratios			
Advertising and marketing expenses (as a percentage of turnover)	12.2	9.8	2.4
Staff costs (as a percentage of turnover)	5.7	6.2	(0.5)
Research and development (as a percentage of cost of sales)	2.3	0.4	1.9
	At 30 June 2007 (in %)	At 31 December 2006 (in %)	
Financial ratio			
Average total shareholders' equity to average total assets	41.3	26.8	
Performance ratios			
Return on average total shareholders' equity	51.6	84.5	
Return on average total assets	21.3	22.6	
Assets/liabilities turnover ratios			
	(in 182 days)	(in 365 days)	
Average inventory turnover days	38.3	41.6	
Average trade receivables turnover days	13.6	18.9	
Average trade and bills payables turnover days	52.4	60.8	

Notes:

- (1) Return on average total shareholders' equity is equal to the net profit attributable to the shareholders divided by the average opening and closing total shareholders' equity.
- (2) Return on average total assets is equal to the net profit attributable to the shareholders divided by the average opening and closing total assets.
- (3) Average inventory turnover days is equal to the average opening and closing inventory divided by costs of sales and multiplied by number of days in the relevant period.
- (4) Average trade receivables turnover days is equal to the average opening and closing trade receivables divided by turnover and multiplied by number of days in the relevant period.
- (5) Average trade and bills payables turnover days is equal to the average opening and closing trade and bills payables divided by cost of sales and multiplied by number of days in the relevant period.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Review

We believe the sportswear industry in China will have much room to grow. Benefited from the growth of consumption in China, the Group has exceeded its expectations with respect to operating results during the period under review.

During the period under review, China's economy continued to grow rapidly with the gross domestic product reaching approximately RMB10.7 trillion, an increase of 11.5% from the same period last year. In particular, the total national retail sales of consumer goods grew by 15.4% to RMB4.2 trillion, an increase of 2.1% compared to the same period in 2006, setting the new high since 1997. The income level of both urban and rural residents has increased by 14.2% and 13.3% respectively in real terms. Also, the Consumer Confidence Index in China shows an increasing trend due to prosperous stock markets and better social security systems in areas of housing, education and public health, resulting in releasing purchasing power from personal savings. Though the upward adjustment in interest rate on savings, reduction in the income tax on interest income and the increase in financial burdens under mortgage loan would suppress the desire to consume, we believe, taking into account of the above pros and cons as a whole, the sales of consumer goods in China will continue to grow in the second half of 2007.

Moreover, Chinese athletes winning numerous national and individual awards in international competitions and the coming of 2008 Olympics Games have contributed to consumers' growing interest in sports and health products, which is likely to further boost the consumption of sportswear.

Business Review

Brand building and marketing

As a leading sports product enterprise, the Group fully utilizes the golden opportunities arising from the Beijing Olympic Games by setting up a one and a half year integrated communication plan for the Olympic Games and devoting a great deal of resources to sports sponsorship and brand promotion activities. The Group's efforts have achieved remarkable results in terms of promoting the core values of its brand name and communicating with consumers. In the meantime, as for product research and development and retailing and marketing, the Group has been relentlessly improving its strengths and has conducted integrated marketing, which has significantly enhanced brand desirability. During the period, the Group has incurred expenditure on brand promotions and sponsorships, representing 12.2% of the sales (including subsidies on display and promotional materials, see the section titled "Distribution management and retail network" for details), compared to 9.8% of the same period last year. The major measures implemented are as follow:

Advertisement and media placement

During the period, the Group placed advertisement primarily on the sports channels and other channels of CCTV and satellite TV channels in various provinces. The TV commercials together with advertisements placed with other media such as internet, magazines, and outdoor media have effectively communicated the Group's inspiring advertisements with "these are not mine, but they will be" as the theme and "constant practices, fearless of hot and hardness" as the slogan. These advertisements focus on promoting "keep moving", the ideology of the ANTA brand, and the products newly launched in that period, so as to keep close with our customers. In the second half of the year, the Group has already initiated a Beijing Olympic Games related marketing campaign. Using "we will rock you" as the theme song and "I'll go for it, 08" as the slogan, this marketing campaign will merge the ideology of the ANTA brand intended to communicate the Olympic spirits and, through various means including TV commercials, all sort of media, product displays and establishment of flagship store, conduct even greater brand promotions.

ANTA being the title sponsor of "ANTA CCTV Sports Personality" for three consecutive years

ANTA is the title sponsor of "ANTA CCTV Sports Personality" aired on the CCTV. In April 2007, the Group participated in the award ceremony commending outstanding Chinese and foreign sportsmen and athletes for the year of 2006. This three-hour award ceremony was broadcasted live nationwide by the CCTV. Domestically and internationally renowned athletes including, among others, Liu Xiang, Ding Junhui and Cheng Fei received awards in the ceremony. This event will be held in each of the three years from 2007 to 2009 to confer awards to athletes and sportsmen with outstanding performance in the preceding year.

ANTA entered into co-operative agreements with various national athletic organizations

On 1 January 2007, the Group announced that it has formally established a co-operative relationship with the Bicycle and Fencing Administrative Center under China's General Administration of Sports and officially entered into co-operative partnership agreements with its associated organisation, the Fencing Association of China, the Bicycle Association of China, the Triathlon Association of China, the China Modern Five Games Association and the Equestrianism Association of China.

ANTA sponsors various professional sports leagues and athletic elites in China throughout the year

The Group is the sole equipment sponsor for the Chinese Basketball Association (CBA) and the Men and Women's Volleyball League/Grand Prize Cup/Championship Cup, and the designated business partner for equipment for China Table Tennis Super League. As a result, the Group is praised as "the engine for the professional sports leagues in China" by the media.

On 20 June 2007, the Group formally entered into an endorsement contract with Wang Hao, a famous athlete in the national table tennis team of China. Meanwhile, the Group has been sponsoring many CBA players including Mengke Bateer, Tang Zhengdong and Wang Zhongquang over the years. In order to prepare for the upcoming 2008 Olympic Games, ANTA has also entered into spokesperson contracts with various players with great potential, ranging from outstanding team members of fencing to track and field national teams.

Actively sponsoring teenagers' sports and public activities

On 26 March 2007, the Group became the equipment sponsor of 2+1 Extraordinary Three Persons of Robust Basketball Match. On 28 April 2007, the Group officially became the sponsor of the 21st Dalian International Marathon of All Nippon Airways Cup. By doing so, the ANTA brand's influence on general consumers would be greatly spread.

Distribution management and retail network

Setting up ANTA brand distribution channel and network

The Group continues to consolidate its coverage over second and third tier markets by strengthening the establishment of retail network, thereby steadily increasing the number of retail outlets. Meanwhile, through implementing measures such as expanding the area of retail outlets, improving furnishings and decorations, enhancing customer services and promoting the fifth generation of store image, the Group optimized the quality of the authorized ANTA retail outlets. During the period, under the Group's ANTA brand, 458 retail outlets were newly set up, 169 retail outlets were refurbished and 328 retail outlets were discontinued, leading to a net increase of 130 retail outlets. As at 30 June 2007, there were 4,238 ANTA authorized retail outlets throughout China managed and operated by 39 distributors. The number of self-managed stores owned by the distributors increased from 863 stores (or 21.0% to the total outlets) as at 31 December 2006 to 1,128 stores (26.6% to the total outlets) as at 30 June 2007. The Group expects the number of the ANTA authorized retail outlets in China for the year to increase to approximately 4,500 and the number of refurbished and new ANTA authorized retail outlets will reach approximately 1,000. The following table sets out the development of distribution network for ANTA's brand during the six months ended 30 June 2007:

	As at 31 December 2006	Expanded	Discontinued	As at 30 June 2007	Refurbished
	<i>(no. of shops)</i>	<i>(no. of shops)</i>	<i>(no. of shops)</i>	<i>(no. of shops)</i>	<i>(no. of shops)</i>
ANTA brand					
Eastern region	1,224	121	(99)	1,246	35
Southern region	825	84	(35)	874	41
Western region	894	126	(64)	956	41
Northern region	1,165	127	(130)	1,162	52
	<u>4,108</u>	<u>458</u>	<u>(328)</u>	<u>4,238</u>	<u>169</u>

Notes:

- (1) Eastern region includes Jiangsu, Zhejiang, Anhui, Jiangxi and Shanghai.
- (2) Southern region includes Fujian, Guangdong, Hainan and Guangxi.
- (3) Western region includes Hunan, Sichuan, Guizhou, Yunnan, Hubei, Henan, Xizang and Chongqing.
- (4) Northern region includes Jilin, Heilongjiang, Shandong, Gansu, Liaoning, Hebei, Shanxi, Shaanxi, Inner Mongolia, Ningxia, Qinghai, Beijing, Tianjin and Xinjiang.

During the period, the Group actively sought prime locations in core markets and first tier cities to open flagship stores, and intends to open three or four flagship stores in the second half of the year, in order to promote the ANTA brand image.

In addition, the Group has strengthened customer service training and the establishment of the sales management team, and set up regional management teams dedicated to distributors and retailers throughout China. Together with other measures to improve shop image and the sales contribution per store, the Group has greatly increased the desirability of the ANTA brand.

During the period, the Group expedited its progress of networking the information system with the distributors' retail outlets. The number of retail outlets linking up with our information systems increased to approximately 1,100 as at 30 June 2007 from 800 by the end of 2006. This enabled the Group to promptly and effectively analyze retail information to provide itself with basis for better decision making in operations.

Expanding abroad

The Group also plans to expand to overseas markets, endeavours to improve its overseas popularity, and enhances the performance of the ANTA brand on the international arena. As at 30 June 2007, the Group's products have already been sold in numerous countries throughout Southeast Asia, Middle East and East Europe. Leveraging its basis in Southeast Asia, the Group will advance to the markets in Middle East and Europe next year with more vigour, and actively co-operating with overseas resources, as well as participating in some large-scale international expos.

New retail business for international branded products

The Group actively develops its retail business for international branded products. During the period, the Group has set up companies engaged in expanding and managing channels of retail operations in six cities, Beijing, Shanghai, Suzhou, Xiamen, Guangzhou and Harbin. As at 30 June 2007, the Group operated and managed 42, 24 and 12 retail outlets selling products under the adidas, Reebok and Kappa brands respectively. In the second half of the year, the Group also plans to establish and operate a number of "sports retail complex" to engage in retailing sportswear of a variety of brands, including ANTA, adidas, Reebok and Kappa, as well as products distributed by other brands. The Group believes that by doing so, the Group will secure a new source of revenue, consolidate the business integration of the Group and improve the Group's ability to promptly react to any changes in fashion. The Group will continue to seek opportunities to cooperate with international brands.

Research and development and design of products

During the period, the Group continues to strengthen its design team, and cooperate with world renowned research and development institutions and tertiary education institutes in China to jointly conduct research and development on various technologies, such as bio-mechanics tests for shoes, shoe-pad ventilate function tests and shock absorption and energy recovery. The Group goes all out to offer professional sport products applying technology to every prospective consumer. During the period, research and development expenditure increased from 0.4% (as a percentage of cost of sales) for the first half of 2006 to 2.3%. Meanwhile, the Group relies on precise market positioning and sound product design to offer different products to consumers in different regions. Leveraging the continual improvement of its professional sports image and the substantial increase in the proportion of products applying high technology, footwear, apparel and accessories have achieved distinctive performance and rapid growth.

- In 2006, the Group developed a new generation of shock absorption A-FORM (the technology of arch of foot) based on its patented A-CORE technology. Upon launching in the market, the products applying such technology was well received by consumers. In the summer of 2007, the continual development of A-CORE technology resulted in a new generation of visible type of A-CORE technology. This technology not only lightens the weight of the shoes, but also retains the existing functions and features. It has been widely applied to basketball shoes and running shoes, which boosted sales of the full series of products.

- In 2007, according to a domestic survey, the Group noted that most of the basketball fans in China play basketball in the outdoor facilities. Therefore we launched our durable-sole basketball shoes. This type of basketball shoes is equipped with not only the basic functions of basketball shoes, but also strengthened durability of shoe soles. This type of shoe satisfied the demand for shoes with wear-resisting soles suitable for playing basketball outdoor. The launch of this product immediately filled in a large gap in the domestic market and achieved remarkable sales continually.
- as for apparel products, the Group also adopted a great deal of new materials and new technology, which boosted a robust progress in the establishment of technological platform for apparel products.

Expand the scale of production and increase the flexibility of production

During the period, five new footwear production lines of the Group at our Jinjiang footwear production facilities and the apparel production facilities in Changting commenced production. Meanwhile, the Group's apparel production facilities in Xiamen commenced production in the third quarter this year. Besides, the Group plans to set up a new footwear production facility, which will enable the Group to better respond to the rapidly changing preferences of consumers. In the second half of the year, the Group intends to implement an industrial engineering system to analyze and streamline our current production processes, which will improve the efficiency of the production processes, reduce the production costs and sufficiently enhance the production capacity of the Group's footwear production. This will enable the Group to operate its production with greater flexibility, increase the Group's ability to promptly respond to market changes and capture market opportunities.

In order to better manage its suppliers and ensure a smooth and long term co-operative relationship, the Group generally divides the suppliers into three categories: strategic co-operative partners, long-term co-operative partners and short-term partners. The Group carries out assessments of those co-operative partners on a quarterly basis in order to determine the priority. During the period, supplies from strategic and long term co-operative partners accounted for 85% of the Group's purchase.

Human resources

In order to effectively achieve its strategies and business objectives, the Group commenced adjustments to organizational structure and optimization to human resources system at the end of 2006, which was successfully completed in the first half of this year. The major functions of the organization are further emphasized with streamlined and smooth workflow, thus enhancing the competitiveness of the Group in respect of attracting talents and improving the performance of our organization as well as our employees.

As at 30 June 2007, the Group had approximately 9,301 employees, 834 of which engaged in retail sales of international sportswear brands. During the period, staff costs and benefits amounted to RMB85.8 million. The Group mainly increased the number of employees in the areas of product planning and design, brand management, distribution network expansion and management, and production technology research and development. However, the percentage of staff costs and benefits to turnover decreased to 5.7% for the current period from 6.2% for the same period in 2006 mainly because the Group reduced direct labour costs through sub-contracting arrangements. Therefore, in connection of sales, the wage rate has decreased even though number of management and sales personnel increased. The sub-contracting fees incurred for the period amounted to RMB109.7 million.

During the period, the Group conducted an array of trainings for its employees in the areas of corporate culture, product development, marketing management, production skills, etc., which systematically improved the know-how and capability of the employees and enhanced the overall quality of human resources of the Company.

In addition, the Group granted an aggregate of 16 million share options to 38 key management members, including an Executive Director, which not only aimed at securing the key personnels, but also stimulating their working incentives.

Financial Review

Turnover by products and brands

The following table sets out the contribution of the turnovers from ANTA brand and international brands (adidas, Reebok and Kappa) by product categories for the period:

	Six months ended 30 June				Changes (in %)
	2007 (RMB'million)	% of total turnover	2006 (RMB'million)	% of total turnover	
ANTA brand (Wholesale)					
Footwear	761.9	50.9	328.5	66.5	131.9
Apparel	636.2	42.5	151.4	30.6	320.2
Accessories	49.6	3.3	14.3	2.9	246.9
	1,447.7	96.7	494.2	100.0	192.9
International brands (Wholesale)					
Footwear	6.4	0.4	n/a	n/a	n/a
Apparel	7.0	0.5	n/a	n/a	n/a
Accessories	0.9	0.1	n/a	n/a	n/a
	14.3	1.0	n/a	n/a	n/a
International brands (Retail)					
Footwear	12.6	0.8	n/a	n/a	n/a
Apparel	21.4	1.4	n/a	n/a	n/a
Accessories	1.7	0.1	n/a	n/a	n/a
	35.7	2.3	n/a	n/a	n/a
Overall					
Footwear	780.9	52.1	328.5	66.5	137.7
Apparel	664.6	44.4	151.4	30.6	339.0
Accessories	52.2	3.5	14.3	2.9	265.0
	1,497.7	100.0	494.2	100.0	203.1

ANTA brand

ANTA brand experienced an increase of 192.9% in revenue. In the first half of 2006, the Group was still selling products to individual customers and department stores directly (approximately 17.8% of the total sales in the entire year of 2006). The current business model was formed in the second half of 2006 in which the Group assigned individual customers and department stores to distributors. Since then, the Group has focused more on brand building, product offering, distribution channel planning and supply chain management. As a result of the new business model, the sales of first half of 2007 show significant growth comparing to the first half of 2006.

The Group expects the sales of the second half of 2007 will become more stable. Since the Group supports the distributors further by upgrading the distribution network to capture the opportunities in 2008 Olympic Games, there will be slack time during the refurbishment period which affects distributors' orders. Moreover, the Group predicts that the sales of the second half of 2007 will show some fluctuation caused by the seasonality and weather condition issues.

Apparel/accessory's share in sales for ANTA brand increased from 33.5% in first half of 2006 to 47.4% in the corresponding period of 2007 while the share of footwear sales for ANTA brand decreased from 66.5% to 52.6%. This is in line with the Group's strategy to develop product diversity and to balance the weighting of footwear and apparel/accessory sales. The Group also considers the apparel/accessory segment will be a business with higher growth as the consumers tend to shop apparel/accessory products more often than durable ANTA footwear products because of season changes.

International brands

The Group's distribution (retail and wholesale) of the sportswear products of international brands, including adidas, Reebok and Kappa, is conducted by Shanghai Fengxian Sporting Goods Development Limited and its subsidiaries. The wholesale of international branded sportswear products was incidental. The retail business has achieved a result, in terms of turnover, better than our expectation and the Group will continue to develop the retail network and keep track with this business segment.

Turnover breakdown by regions and brands

The following table sets out the contribution of the turnovers from ANTA brand and international brands (adidas, Reebok and Kappa) by regions for the period:

	Six months ended 30 June		2006		Changes (in %)
	2007 (RMB'million)	% of total turnover	(RMB'million)	% of total turnover	
ANTA brand (Wholesale)					
Eastern region	417.8	27.9	125.6	25.4	232.6
Southern region	408.7	27.3	156.0	31.6	162.0
Western region	345.1	23.0	101.2	20.5	241.0
Northern region	263.8	17.6	111.4	22.5	136.8
International markets	12.3	0.8	n/a	n/a	n/a
International brands (Wholesale)	14.3	1.0	n/a	n/a	n/a
International brands (Retail)	35.7	2.4	n/a	n/a	n/a
	1,497.7	100.0	494.2	100.0	203.1

Notes:

- (1) Eastern region includes Jiangsu, Zhejiang, Anhui, Jiangxi and Shanghai.
- (2) Southern region includes Fujian, Guangdong, Hainan and Guangxi.
- (3) Western region includes Hunan, Sichuan, Guizhou, Yunnan, Hubei, Henan, Xizang and Chongqing.
- (4) Northern region includes Jilin, Heilongjiang, Shandong, Gansu, Liaoning, Hebei, Shanxi, Shaanxi, Inner Mongolia, Ningxia, Qinghai, Beijing, Tianjin and Xinjiang.
- (5) International markets include Singapore, the Philippines, Serbia and Kuwait.

The turnover in the eastern and western regions for the period increased primarily due to our success in penetrating the first tier cities and building our brand recognition in these regions through increased promotional and marketing activities and the resulting increase in the sales volume of our summer collection of apparel products in 2007.

The turnover in the southern region grew slower than the eastern and western regions because the sales in the southern region had already taken off in the first half of 2006 while the sales in the eastern and western regions took off in the second half of 2006. Our turnover in the northern region remained relatively stable compared to turnover in the first half of 2006 because the distribution network in the northern region is under consolidation.

In the first half of 2007, the Group has been more active in overseas distribution network, by selling products through domestic import and export companies to overseas distributors who have to fulfill ANTA's standards of being our distributors and of store image, and achieved a promising result. In 2006, sales to overseas customers were incidental.

The following table sets out the average contribution of turnover per store and per sales floor area:

	At 30 June 2007			Six months ended 30 June 2007		
	No. of stores	Total sales floor area (in sq.m.)	Average sales floor area (in sq.m.)	Turnover (RMB'million)	Average sales contribution per store (at ex-factory prices) (RMB)	Average sales contribution per s.q.m. (at ex-factory prices) (RMB)
ANTA brand						
Eastern region	1,246	90,686	73	417.8	335,313	4,607
Southern region	874	92,525	106	408.7	467,620	4,417
Western region	956	76,698	80	345.1	360,983	4,499
Northern region	1,162	93,668	81	263.8	227,022	2,816
Total	4,238	353,577	83	1,435.4	338,697	4,060
For the year ended 31 December 2006	4,108	328,530	80	1,250.1	304,309	3,805
Changes (in%)	3.2%	7.6%	4.3%			

The number of stores increased by 3.2% in the six months ended 30 June 2007, while the total sales floor area increased by 7.6% because the Group places emphasis on improving the quality of the distribution network this year by upgrading the store image, relocating to prime location and increasing the sales floor area in order to meet the customers' demands in coming years. Good image of store will have a radial effect to the adjacent potential markets and enhance the customers' experience on shopping which will drive the same-store growth. The impact of this strategy can be reflected by the fact that the average sales contribution per store (at ex-factory prices) and the average sales contribution per square metre of sales floor area (at ex-factory prices) for the first half of 2007 are more than the same indicators for the whole year of 2006.

Cost of sales breakdown by production and procurement

The following table sets out the breakdown of the Group's cost of sales by product and procurement and the percentage of such costs to the total cost of sales for the period:

	Six months ended 30 June		2006 (RMB'million)	% of total cost of sales	Changes (in %)
	2007 (RMB'million)	% of total cost of sales			
ANTA brand					
Own production					
Raw materials	206.9	20.8	138.2	37.1	49.7
Direct labour	41.2	4.1	19.1	5.1	115.7
Overhead	30.4	3.1	17.7	4.8	71.8
	278.5	28.0	175.0	47.0	59.1
Outsourced production					
OEM	423.5	42.6	194.9	52.3	117.3
Sub-contracting arrangement	257.1	25.8	2.5	0.7	102 times
International brands					
Procurement costs	36.2	3.6	n/a	n/a	n/a
Total	995.3	100.0	372.4	100.0	167.3

The Group has adopted an sub-contracting arrangement to meet the increasing demand from distributors rather than just OEM because the Group is able to increase its lateral production capacity while maintaining control over several production processes under the sub-contracting arrangement. The Group viewed the sub-contracting arrangement as an extension of self-production.

Since the apparel production facilities in Xiamen and Changting commenced operation in mid-2007, their production capacities have not been fully utilized and will have capability for further expansion of capacities to absorb the increasing demand from distributors. In addition, new footwear production facilities in Jinjiang will be ready by phases commencing in early 2008 to absorb excess demand in 2008 onwards.

Gross profit and gross profit margin breakdown by products and brands

The following table sets out the gross profit and the gross profit margin by ANTA brand and international brands (adidas, Reebok and Kappa) and by product categories for the period:

	Six months ended 30 June				
	2007		2006		
	<i>Gross profit</i> (RMB'million)	<i>Gross profit</i> <i>margin</i> (in %)	<i>Gross profit</i> (RMB'million)	<i>Gross profit</i> <i>margin</i> (in % points)	<i>Changes</i> (in % points)
ANTA brand (Wholesale)	488.6	33.8	121.8	24.6	9.2
International brands (Wholesale)	1.2	8.4	n/a	n/a	n/a
International brands (Retail)	12.6	35.3	n/a	n/a	n/a
Overall	<u>502.4</u>	<u>33.5</u>	<u>121.8</u>	24.6	8.9

The Group's gross profit margin increased mainly due to the increase in the gross profit margin of ANTA branded products during the period. The overall gross profit margin is smaller than that of ANTA branded products because the gross profit margin for wholesale of international branded products is only 8.4%.

Total units sold and analysis of average selling prices/costs

The following table sets out the number of units and the average selling prices/costs of footwear and apparel sold under ANTA brand and under international brands respectively for the period:

	Six months ended 30 June								
	2007			2006			Changes		
	Total units sold	Average selling prices	Average cost	Total units sold	Average selling prices	Average cost	Total units sold	Average selling prices	Average cost
	(thousand)	(RMB)	(RMB)	(thousand)	(RMB)	(RMB)	(in %)	(in %)	(in %)
ANTA brand (Wholesale)									
Footwear	8,873	85.9	57.6	5,161	63.7	48.5	71.9	34.9	18.8
Apparel	15,326	41.5	27.2	4,632	32.7	23.7	230.9	26.9	14.8
International brands (Retail)									
Footwear	22	572.7	372.7	n/a	n/a	n/a	n/a	n/a	n/a
Apparel	74	289.2	186.5	n/a	n/a	n/a	n/a	n/a	n/a

Notes:

- (1) We have not included details of the number of units sold and the average selling price for the accessory products because we have a broad range of accessory products that vary significantly in terms of unit price. We believe that a unit-based analysis of this product category would not be meaningful.
- (2) Average selling prices represent the turnover for the period divided by the total units sold for the period.
- (3) We have not included details of wholesale of international branded products. The calculation of average selling prices and costs for wholesale of international brands sportswear products would not be meaningful as the sales were incidental and non-recurring.

The significant increase in average selling prices was contributed by the following factors:

- Continuous growth of China economy and consumption level supported by the increase in disposable income and consumers increasing attention to sports and health products in China. This has contributed significantly to the average increase in our suggested retail prices;
- Product mix shift towards higher-end through introducing higher-end new products with improved quality and functions which have higher average selling prices;
- Strengthening in brand recognition of ANTA products and more supports and services to the distributors have contributed to the increase in negotiating leverage against the distributors. As a result, the ex-factory prices have been adjusted upward.

The significant rise in quantities demanded by the distributors was contributed by the following factors:

- Upgrade of brand and store image, moving to prime locations and increasing shopping floor area are crucial factors for improving the quality of the distribution network and for creating opportunity of further expansion of the distribution network like an radial effect to other potential markets. Also, the number of stores and the total sales floor area have been increased during the period. As a result, quantities ordered by the distributors increased significantly during the period;
- The Group has developed wide-ranged product offerings to meet the market differentiation;
- Quick responsiveness to the market demand is also an important factor to fill up the increasing market demand in a relatively short period of time. The Group's own production facilities can complete an order within 25-30 days after it was placed.

Unit costs also increased by 18.8% for footwear products and 14.8% for apparel products due to more orders received for higher-end products of which production costs are relatively higher. However, the increase in the average selling price is higher than the increase in unit costs, resulting an increase of gross profit margin by approximately 8.9%.

The gross profit margin achieved by the retail business of international branded products is within our expectation, especially it normally takes some time to reach an optimal level of sales in the initial stage of a business development.

Other revenue

Other revenue represents sales of wastage materials and interest income. The increase is mainly due to the increase in sales of wastage materials, which is in line with the increase in production scale.

Effective tax rate

The effective tax rate for the six months ended 30 June 2007 was 12.7% while the rate for the relevant period ended 30 June 2006 was only 1.1%. It is because ANTA China, the main operating subsidiary of the Group, generates significant portion of the operating profit within the Group, enjoyed a two years tax holiday in 2005 and 2006. Starting from 1 January 2007, ANTA China will be subjected to a 50% reduction of a state enterprise income tax rate of 24% for the next three years because ANTA China is a foreign invested enterprise engaged in the manufacturing business and operates in a coastal economic open zone. The effective tax rate was slightly higher than the preferential tax rate of 12% for the six months ended 30 June 2007 because Xiamen Trading, which is incorporated in Xiamen Special Economic Zone, is subject to a preferential tax rate of 15%, whose impact is offset by the operating loss sustained by Shanghai Fengxian.

On 29 December 2006, the Standing Committee of the Tenth National People's Congress ("NPC") passed a resolution to submit the draft Enterprise Income Tax Law ("New Tax Law") to the Tenth NPC plenary session for voting. The New Tax Law was adopted on 16 March 2007. Under the New Tax Law, which will come into effect on 1 January 2008, domestic enterprises and foreign-invested enterprises that are currently entitled to preferential tax treatments may continue to enjoy those preferential tax treatments until 1 January 2013. The expected financial effect of the New Tax Law, if any, will be reflected in the Group's 2007 financial statements. The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

Net profit margin

Net profit margin increased by 2.9% while the gross profit margin increased by 8.9% during the period. It is mainly due to the increase in advertising and promotional expenses, administration expenses and income tax, and the absorption of operating loss sustained by the Shanghai Fengxian group for the period, which amounted to RMB2.9 million.

Dividend

As stated in the prospectus of the Company dated 26 June 2007, we intend to pursue a dividend payout policy of at least 25% of the consolidated profit attributable to shareholders for the financial year ending 31 December 2007. For the six months ended 30 June 2007, the Board does not recommend the payment of an interim dividends.

Assets/liabilities turnover ratio

Due to higher growth of sales achieved by the retail outlets owned or managed by the distributors, their inventory demand increased. Also, the Group's supply chain management has been upgrading. Accordingly, the Group's average inventory turnover days and average trade receivables turnover days have further improved to 38.3 days and 13.6 days from 41.6 days and 18.9 days respectively, when comparing with the ratios for the year ended 31 December 2006.

The average trade and bills payable turnover days decreased from 60.8 days to 52.4 days, when comparing with the ratio for the year ended 31 December 2006, because of relatively smaller portion of bills payables at 30 June 2007.

Liquidity and Financial Resources

During the period under review, the Group's generated net cash inflow of RMB199.6 million from operating activities (six months ended 30 June 2006: RMB10.0 million). However, the cash and cash equivalents at 30 June 2007 was decreased by RMB14.0 million to RMB162.3 million as compared with the balances at 31 December 2006 which was RMB176.3 million. The decrease was mainly due to the following outflows from investing activities and financing activities:

- Cash outflow on investing activities of RMB88.5 million (six months ended 30 June 2006: RMB12.8 million) — mainly capital expenditure in respect of expansion of the footwear production facilities in Jinjiang and apparel production facilities in Changting and Xiamen and renovation costs for retail outlets for selling international sportswear brands; and
- Cash outflow on financing activities of RMB124.8 million (six months ended 30 June 2006: inflow of RMB19.8 million) — mainly repayment of bank borrowings of RMB50.0 million and repayment of shareholders' loan of HK\$75.0 million (RMB equivalent approximately 74.3 million).

At 30 June 2007, total assets of the Group stood at RMB1,051.0 million of which current assets reached RMB709.2 million. At the same date, total liabilities were RMB501.0 million and total equity amounted to RMB550.0 million. There was no outstanding bank loan at 30 June 2007. Net current liabilities of RMB27.3 million at 31 December 2006 turned into net current assets of RMB208.2 million mainly because of the operating profit for the period. Total equity increased by RMB312.1 million which was more than the increase in net current assets because of the capitalization of the shareholders' loans of HK\$144.4 million (RMB equivalent approximately 141.0 million) whose effect was offset by a deemed distribution of the equity of ANTA Fujian amounting to RMB36.2 million a predecessor entity.

The average total shareholders' equity to average total assets increased from 26.8% at 31 December 2006 to 41.3% at 30 June 2007 mainly because the capitalization of shareholders' loans and the significant increase in profit attributable to shareholders during the period under review. As a result of the increase in average total shareholders' equity, the return on average total shareholders' equity decreased from 84.5% at 31 December 2006 to 51.6% at 30 June 2007. However, the return on average total assets keeps steadily (22.6% at 31 December 2006 while 21.3% at 30 June 2007) which reflects an efficient use of average total assets during the period under review.

Since the listing on 10 July 2007, the Company has received gross proceeds from the IPO before issuing costs, amounting to HK\$3,643.2 million, which further strengthen the Company's financial positions to support brand building, development of distribution channel and retail network for international branded products.

Pledge of Assets

At 30 June 2007, the Group had bank deposits of RMB5.0 million (31 December 2006: RMB4.9 million) to secure banker acceptance for payment of raw materials and OEM products.

Capital Commitments and Contingencies

At 30 June 2007, the Group has capital commitments primarily related to the expansion of our footwear production facilities in Jinjiang, the further expansion of our own apparel production bases in Xiamen and Changting and the development of retail distribution network for international branded products, the retail sports complexes and the ANTA flagship stores.

At 30 June 2007, the Group had not provided any form of guarantee for any company outside the Group. The Group is not involved in any current material legal proceedings, nor is our Group aware of any pending or potential material legal proceedings involving the Group.

Financial Management Policies

The Group will continue to control financial risks in a prudent manner and proactively adopt internationally recognized corporate management standards to safeguard the interests of shareholders. For the period under review, as most of the Group's monetary assets and liabilities were denominated in Renminbi and the Group conducted its business transactions principally in Renminbi, the exchange rate risk of the Group is not significant and the Group does not employ any financial instruments for hedging purposes. Nevertheless, the management will continue to monitor the foreign exchange exposure and be prepared to take prudent measures such as hedging by currency options and non-deliverable forwards when needed.

Significant Investments and Acquisitions

During the period under review, the Group made no significant investments or any material acquisition or disposal of subsidiaries. The Group will continue to seek business opportunities such as acquisition and cooperation with international sportswear brands so as to increase the returns on shareholders' equity.

PROSPECT

We will continue to emphasize on building the ANTA brand and maintain its competitive edge in the second and third-tier markets in the PRC by our professional and trendy products in terms of high "value for money". As we rapidly expand the number of our stores, we are more concerned about raising the image of stores as well as the same-store growth. Through the organic combination of internal and external production, we will continue to maintain a good cost structure and prompt response to market changes, and improve and optimize a vertically integrated business model with design, research and development, production and marketing. Moreover, we will strengthen supply-chain management in order to facilitate the sustainable growth and enhance the efficiency of the Group's businesses. At the same time, the Group shall actively seek new opportunities for business growth, and co-operation with international brands.

We believe that with the leading market position we have established in the PRC market, leveraging on our rich experience in the sports products industry, a high degree of correlation between the interests of the management team and shareholders, the Group will benefit from the rapid growth in the consumer market in China and the opportunities offered by the nationwide bodybuilding campaign, the Group will definitely have even broader development prospects which promises greater value for its shareholders and investors.

On behalf of the Board

Lai Shixian

*Executive Director &
Chief Operating Officer*

Ling Shing Ping

*Company Secretary &
Chief Financial Officer*

Hong Kong, 12 September 2007

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company is committed to achieving high standards of corporate governance which we believe is crucial to the development of the Group and safeguard the interests of the shareholders of the Company.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the code of conduct regarding securities transactions by the directors of the Company. All Directors confirmed they have complied with the required standard set out in the Model Code during the period from 11 June 2007 (date of adoption of the Model Code) up to the date of this report.

Audit Committee

The Company established an Audit Committee on 11 June 2007 with written terms of reference in compliance with Rule 3.21 of the Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; oversight of internal control procedures of the Company. At present, the Audit Committee of the Company consists of three members who are Mr. Yeung Chi Tat, Mr. Wong Ying Kuen, Paul and Mr. Lu Hong Te. All of them are Independent Non-Executive Directors. Mr. Yeung Chi Tat is the chairman of the Audit Committee.

The condensed interim consolidated financial report for the six months ended 30 June 2007 of the Group is unaudited, but has been reviewed by KPMG, the auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report is included in the interim report to be sent to shareholders. The unaudited condensed consolidated interim financial statements of the Group for the six months period ended 30 June 2007 have also been reviewed by the Audit Committee of the Company.

Remuneration Committee

The Company established a Remuneration Committee on 11 June 2007 with written terms of reference. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review performance based remuneration; ensure none of the Directors determine their own remuneration. The Remuneration Committee consists of three members, namely Mr. Ding Shizhong, the Chairman, and two Independent Non-Executive Directors, namely Mr. Lu Hong Te and Mr. Wong Ying Kuen, Paul. Mr. Ding Shizhong is the chairman of the Remuneration Committee.

Nomination Committee

The Company established a Nomination Committee on 11 June 2007 with written terms of reference. The primary duty of the Nomination Committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board. The Nomination Committee consists of three members, comprising two Independent Non-Executive Directors, Mr. Lu Hong Te and Mr. Yeung Chi Tat, and an executive Director, Mr. Lai Shixian. Mr. Lu Hong Te is the chairman of the Nomination Committee.

Compliance with Code on Corporate Governance Practices

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rule since 10 July 2007 (date of listing of the shares of the Company) except for the deviation from provision A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Ding Shizhong is the Chairman and the Chief Executive Officer of the Company. With Mr. Ding's extensive experience in sportswear consumer markets, he is responsible for the overall strategic planning and business management of the Group. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises five Executive Directors and three Independent Non-Executive Directors and therefore has a strong independence element in its composition.

Purchase, Sale or Redemption of the Listed Securities

The shares of the Company were listed on the Stock Exchange on 10 July 2007 and accordingly neither the Company nor any of its subsidiaries as purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

On behalf of the Board
Ling Shing Ping
Company Secretary

Hong Kong, 12 September 2007

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