



UWTSD MBA
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**An Analytical Report on Review of the Annual Report of
ANTA Sports Products Limited**

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ANTA Sports Products Limited

Executive Summary

This report is an in-depth study of ANTA Sports Products Limited (ANPDY) covering its finances, corporate governance, investment projects, and capital management. ANPDY is one of the leading activewear brand formed in China in 1991 and has made enormous progress and is growing internationally through mergers and factory investments such as the Amer Sports acquisition in 2019. Li Ning, and Xtep International Holdings Limited are comparison partners for the markets performance.

As per numbers, ANPDY is characterized by strong liquidity, effective assets usage, and better financial ratios than the industry competitors. The analysis of Amer Sports acquisition came out positively signifying that the investment is good given the NPV IRR. Improved evaluation techniques should be recommended for the future projects in order to deal with the risks or barriers effectively. Looking into the future and being in a net cash situation with no dependence on outsiders' debt ANPDY is advised to try out different hybrid financing in order to grow. The company's objective of capital management must be to achieve a balance between liquidity management and creating further growth opportunities.

Overall, ANPDY is well positioned for future growth but there are opportunities for improvement in governance practices, risk management and investment appraisal methods. By refining its strategies and exploring advanced financing options, ANPDY is able to enhance its competitive advantage, and create sustained value for shareholders and stakeholders.

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1.0. INTRODUCTION

This report is a comprehensive analysis of ANTA Sports Products Limited (ANPDY), focusing on its financial performance, operational efficiency, and market positioning. These analyses will be compared to Li Ning and Xtep International Holdings Limited, which are also major companies in sporting goods industry, listed in Hong Kong stock market.

1.1. ANPDY Background

ANTA Sports Products company was established in 1991 in Jinjiang, a Fujian province in China. The company is listed in HKEx in 2007, stock code no. 2020 (ANTA Sports Products Limited, 2023). Over time, the company have had a significant growth and now, is one of the leading sportswear brands in China, Hong Kong, Macao, and Singapore. Since it was established, it has formed three main brand groups that deals in performance sports brands, sports fashions and outdoor sports brands that continues to empower those who enjoy sports. Its outlined mission is to integrate the sports spirit of ‘Going Beyond Oneself’ into everyone’s daily life with a vision of becoming a leading multi-brand sportswear group in the world. Some major steps that it has taken since are, acquisition of the FILA brand in 2009, the acquisition of Amer Sports in 2019, and its continuous expansion in both domestic and international markets. The company has embraced successful acquisition and integration of international brands like ANTA, FILA, DESCENTE and KOLON SPORT, with the aim to unlock the potential of both the mass and high-end sportswear markets with time (Chow, 2024).

1.2. Operating Business Overview and Model

ANPDY deals in a variety of sports products, including sportswear, footwear, and sports equipment. With its diverse brand portfolio such as ANTA, FILA, Descente, and ANTA Kids, it caters for different consumer segments from professional athletes to everyday sports enthusiasts, hence its strong market presence in Mainland China and is rapidly expanding in global markets, including Hong Kong.

ANPDY operates a direct to consumer business model that is vertically integrated, controlling the entire value chain from product design to manufacturing, marketing, and retail. The business model that ANPDY uses allows the company to maintain high standards of quality, agility in responding to market trends, and cost efficiency. ANPDY combines retail stores and e-commerce platforms as its business operations, hence ensuring wide accessibility of its products.

As at 2023, the company had about 12,400 to 12,720 stores. Hong Kong serves as a strategic market for ANPDY, leveraging its position as an international hub to reach consumers worldwide.

Under revenues that the company generates, FILA brand makes about 40.3% of the total revenue. This growth mostly is as a result of recovery of retail market and the expansion of e-commerce. Additionally, revenue from other brands jumped by an impressive 57.7% compared to the previous year. The company's e-commerce sector accounted for 32.8% of ANPDY's overall revenue, marking an 11.0% increase in absolute terms from 2022. The 2023 financial report attributes this e-commerce growth to the recovery of the retail market, continuous improvements in the channel mix of traditional e-commerce platforms, and the expansion into new social media e-commerce channels.

1.3. ANPDY's Business environment

In 2023, Hong Kong's sportswear market reached a total retail value of US\$2.7 billion (HK\$21.1 billion), marking a 34% year-on-year growth—the highest in 15 years (Fu, 2024). This surge was largely driven by the reopening of borders and a growing trend toward healthier urban lifestyles. As more people embraced fitness, the popularity of gyms, wellness centers, and workout classes skyrocketed. This shift fueled demand for innovative products like smart fitness equipment and stylish, functional sportswear, making Hong Kong a key market for these emerging trends (Chan, 2021; Fu, 2024).

In Hong Kong, the sporting goods industry is influenced by consumer behavior trends, such as a preference for high-quality, branded sportswear, and the growing popularity of online shopping. Just as with many other consumer goods in market, the ANTA sporting products in Hong Kong has inclined to research and development (R&D), and marketing figure, especially in the value-added part of the production of sporting goods (Chow, 2024). Several businesses in the industry, manufacturers from HK included are looking into expanding and outsourcing their physical production from China Mainland, Vietnam, Indonesia and Thailand so that they have low production costs (Fu, 2024). The market is competitive for ANTA, with key players including international and local brands like Nike (Olcott, 2023). ANPDY holds the largest share in Amer Sports, Inc., a global company known for its iconic sports and outdoor brands, including Arc'teryx, Salomon, Wilson, Peak Performance, and Atomic. Amer Sports is publicly listed on the New York Stock Exchange (Amer Sports, 2019).

1.4. Company's structure

ANPDY's corporate structure includes a robust board of directors and a management team with extensive experience in the sportswear industry. The company is operated through different major subsidiaries that manages its brand portfolio and operations. The Board of Directors is led by Mr. Ding Shizhong as chairman and includes both executive and independent non-executive directors.

The board has established five committees including the audit, nomination, risk-management, remuneration and sustainability committee. These committees oversee various aspects of the company's operations (ANTA Sports Products Limited, 2023). Each committee is led by different board members, providing diverse and balanced governance structure. The management team is backed by main divisions that handle essential functions like design, research and development, manufacturing, marketing, and sales of sports products, including footwear, apparel, and accessories. Major shareholders of the company include institutional investors and the key founding members. As of December 31, 2023, ANTA employed around 60,500 people.

1.5. Research comparison company information

This study focuses on comparing ANPDY, Li Ning, and Xtep. The two companies (Li Ning and Xtep) have the same nature of business as that of ANPDY, and the size of the enterprise and market share are also very close to each other as shown in the table 1.

Table 1 Comparative Analysis of the Business Structures and Key Metrics for ANPDY, Li Ning, and Xtep (2021-2023)

Company Name	ANPDY	Li Ning	Xtep International
(Stock number)	2020 (HKD counter)	2331(HKD counter)	1368 (HKD counter)
Business Nature	Sportswear, Footwear, Equipment		
Market area	Mainland China, Hong Kong, Macao SAR and Singapore.	Mainland China, Hong Kong, Macau and Taiwan	Mainland China, Hong Kong and Macau
Number of Stores	12,000+ stores	1,428 stores	8,583 branded stores
Operating profit margin as at 2023	24.60	12.90	11.00

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

2.0. FINANCIAL ANALYSIS OF ANPDY

2.1. Bankruptcy index Z-Score analysis comparison

Table 2: Balance Sheet Figures for ANPDY, Li Ning, and Xtep (2021-2023) As at Dec 31 closing value (in RMB' Millions)

Company Name	ANPDY			Li Ning	Xtep
Year	2021	2022	2023	2023	
NET CURRENT ASSETS /Working capital	23,959	16,389	31,549	13,653	12,044
Total Assets	62,668	69,195	92,228	34,208	17,325
Total Liabilities	31,005	31,356	36,218	37,123	8,402
Sales	49,328	53,651	62,356	27,598	14,346
Retained earnings	28,923	34,400	51,460	24,407	8,863
Earnings before interest and taxes (EBIT)	992	1,264	2,165	4,438	1,449
Stock value (RMB)	10.70	12.68	18.17	3.38	3.15
Number of Stock in 1000	2,703,329	2,713,624	2,832,624	2,625,415	2,641,457

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

The price-to-earnings (P/E) ratio is the proportion of a company's share price to its earnings per share (Kenton et al., 2024).

Stock Value = Earnings Per Share (EPS) × P/E ratio

EBIT = Net income + interest expenses + taxes

Z score = 1.2A + 1.4B + 3.3C + 0.6D + 0.999E

$A = \text{Working Capital} / \text{Total Assets}$

$B = \text{Retained Earnings} / \text{Total Assets}$

$C = \text{EBIT} / \text{Total Asset}$

$D = [(\text{Stock value} \times \text{Total number of stocks})] / \text{Total Liabilities}$

$E = \text{Sales} / \text{Total Assets}$

Table 3: Z-Score Calculations for ANPDY, Li Ning, and Xtep (2021-2023)

Company Name	ANPDY			Li Ning	Xtep International
Year	2021	2022	2023	2023	
A	0.38	0.24	0.34	0.40	0.70
B	0.46	0.50	0.56	0.71	0.51
C	0.02	0.02	0.02	0.13	0.08
D	0.93	0.06	0.08	0.04	0.06
E	0.79	1.10	1.42	0.24	0.99
Z-Score	2.50	2.17	2.74	2.17	2.85

Adapted from: ANTA Sports Products Limited (2023); CFI Team (n.d.-a); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

The Z-score is a financial measure utilized to evaluate the probability of a company facing bankruptcy. It merges various financial ratios to assess the financial well-being of a company, where scores higher than 3 suggest security, scores ranging from 1.8 to 3 indicate a medium risk (grey area), and scores lower than 1.8 suggest financial difficulty and a high chance of bankruptcy (CFI Team, n.d.). Comparing the three companies, all are in the grey area, signaling a moderate risk of bankruptcy. ANPDY has the lowest Z-score, around 2.0, but shows promising improvement over the years, suggesting potential growth towards a safer financial position. Xtep has the highest Z-score at 2.85, nearing the safe zone, while Li Ning's Z-score is slightly lower, indicating a similar moderate risk but with less improvement compared to ANPDY.

2.2. Financial structure

Table 4: Comparison of Financial Ratios for ANPDY, Li Ning, and Xtep (2021-2023)

Company Name	ANPDY				Li Ning	Xtep
Year	2021	2022	2023	2021,2022, and 2023 Average	Average for 3 years (2021, 2022, 2023)	
Fixed Asset to Long term Liability Ratio	1.51	1.42	2.06	1.66	8.75	2.13
Current Liabilities to Net Asset Ratio	0.50	0.69	0.36	0.52	0.22	0.67
Business Revenue to Total Assets Ratio	0.79	0.78	0.68	0.75	For 2023 0.12	For 2023 0.82
Current Asset to Current Liabilities Ratio	2.50	1.63	2.53	2.22	1.67	2.16

Adapted from: ANTA Sports Products Limited (2023); CFI Team, (n.d.-b); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

Li Ning has a significantly higher Fixed Asset to Long Term Liability Ratio compared to ANPDY, suggesting stronger coverage of long-term liabilities with fixed assets. This could imply a more stable financial position in terms of long-term debt management. Xtep has a ratio slightly above ANPDY 's 3-year average, indicating a similar but slightly better financial structure in this aspect. Li Ning shows a much lower Business Revenue to Total Assets Ratio compared to ANPDY, implying it relies less on current liabilities, which suggests a stronger net asset position (Simply Wall St, 2019). This is the Target total asset turnover and it is aimed to be at or slightly below industry level. To boost the ratio, ANPDY can generate new revenue streams without making significant (Hayes & Yashina, 2024).

ANPDY has the strongest current ratio compared to Li Ning and Xtep, indicating a robust ability to cover short-term obligations. This indicates the number of times it can pay off its

immediate liabilities with its total current assets. ANPDY maintains a strong overall position, particularly in liquidity and asset management, but could improve in asset utilization compared to Xtep.

2.3. Paying debt ability

Table 5: Debt-Paying Ability Ratios for ANPDY, Li Ning, and Xtep International (2021-2023)

Company Name	ANPDY			Li Ning	Xtep International
Year	2021	2022	2023	2023	
Current Ratio (Current Asset to Current Liabilities Ratio)	2.50	1.62	2.53	4.60	2.18
Quick Ratio	2.02	1.30	2.18	1.38	2.20
Cash Ratio	1.10	0.66	0.74	0.75	0.56
Total Debt Ratio	0.50	0.45	0.39	0.94	0.29
Debt / Equity Ratio	1.07	0.91	0.70	0.40	0.95
Long Term Debt Ratio	0.24	0.07	0.17	0.07	0.29
Time Interest cover ratio	4.17	6.02	9.75	13.5	4.54

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023); Girardin (2022); CFI Team (n.d.-a); Pendergast (n.d.); Pendergast (2024); Tyre (2022); Kenton & Berry-Johnson (2020).

2.3.1. Current Ratio

Among the three companies compared, Li Ning stands out with the highest current ratio (4.6) hence, a solid buffer to handle its short-term liabilities, giving it a strong safety net (Girardin, 2022). ANPDY also demonstrates a healthy current ratio, however not as higher as Li Ning's, indicating a strong liquidity position. Xtep has the lowest current ratio of 2.18 but still maintains a solid ability to cover its short-term debts.

2.3.2. Quick Ratio

This ratio excludes inventory from current assets, providing a more stringent test of liquidity (CFI Team, n.d.). Xtep have a quick ratio of 2.2 compared to ANPDY (2.18), indicating that it has slightly more liquid assets relative to its current liabilities. Li Ning lags behind in terms of quick ratio (1.38), suggesting it may rely more on inventory to meet its short-term obligations.

2.3.3. Cash Ratio

Li Ning still leads slightly showing 0.15, indicating it has marginally better immediate liquidity (Pendergast, n.d.). ANPDY, however showing declined cash ration for the past 3 fiscal years, still a reasonable cash ratio (0.74) that indicates a moderate cushion of cash to cover its short-term liabilities (Pendergast, n.d.). Xtep has the lowest cash ratio of 0.56, indicating a lower immediate liquidity position compared to the other two companies.

2.3.4. Total Debt Ratio

Li Ning has the highest total debt ratio (0.94), indicating a higher degree of leverage and potentially greater risk if asset values decline (Pendergast, 2024). ANPDY falls in between, with a moderate debt ratio (0.39), reflecting a balanced approach to leveraging debt. Xtep has the lowest total debt ratio (0.29), suggesting it is the least leveraged and has a stronger equity cushion to absorb any financial shocks.

2.3.5. Debt / Equity Ratio

Li Ning has the lowest debt/equity ratio (0.4), indicating the lowest leverage relative to its equity base, which might reflect a more conservative financial structure (Tyre, 2022). Xtep shows the highest debt/equity ratio (0.95), indicating more aggressive use of debt in its capital structure. ANPDY strikes a balance with a moderate debt-to-equity ratio (0.7), reflecting a measured approach to using both debt and equity for financing.

2.3.6. Long Term Debt Ratio

Li Ning's low ratio (0.07) reveals its cautious stance on long-term debt, showing a minimal dependence on it for financing (Kenton & Berry-Johnson, 2020). In contrast, Xtep has the highest long-term debt ratio (0.29), suggesting a stronger reliance on long-term debt, potentially exposing the company to higher financial risk. ANPDY takes a moderate approach, balancing its use of long-term debt within its capital structure (ratio of 0.17).

2.3.7. Time Interest cover ratio

Li Ning again stands out with the highest time interest cover ratio (13.5), highlighting its robust capacity to meet interest payments with its earnings. ANPDY also shows a comfortable margin (9.75) in covering its interest expenses, reflecting solid financial health. Xtep, however, has the lowest interest cover ratio (4.54), which may signal tighter margins in managing its debt obligations.

2.4. Operating capacity

ANPDY 's sales grew steadily over the three years, with an 8.77% increase from 2021 to 2022 and a more substantial 16.22% growth from 2022 to 2023, outperforming Li Ning and Xtep in terms of total sales and maintaining a solid growth rate. Li Ning, while growing, appears to be slowing down, possibly due to market conditions or internal challenges. Xtep's rapid growth in 2022 has cooled but remains healthy, indicating a successful expansion strategy. ANPDY 's focus on direct sales seems to be paying off significantly, giving it a competitive edge in the market.

Table 6: Sales and growth rate comparing for ANPDY, Li Ning, and Xtep International (2021-2023)

Company Name	Year	Sales (in RMB' 1000)
ANPDY	2021	49,328,000
	2022	53,651,000
	2023	62,356,000
Li Ning	2021	22,572,281
	2022	25,803,383
	2023	27,598,491
Xtep	2021	10,013,239
	2022	12,930,385
	2023	14,345,508

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

Figure 1: Sales (in RMB' Billion) and growth rate comparison of Li Ning, and Xtep International (2021-2023) to ANTA Sports Products Limited



Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

In terms of sales and growth rate, ANTA Sports Products Limited is showing better sales growth from RMB 49,328,000 in 2021 to RMB 62,356,000 in 2023, with an 8.77% increase from 2021 to 2022 and a 16.22% rise from 2022 to 2023, outpacing competitors Li Ning and Xtep. Li Ning's sales grew from RMB 22,572,281 to RMB 27,598,491 during the same period, though at a slowing rate, possibly due to market or operational challenges. Xtep showed rapid growth in 2022, but its growth rate slightly declined in 2023, though it still reflected successful expansion.

2.5. Operating Expenses

Table 7: Operating Expenses and Turnover for ANPDY, Li Ning, and Xtep International (2021-2023)

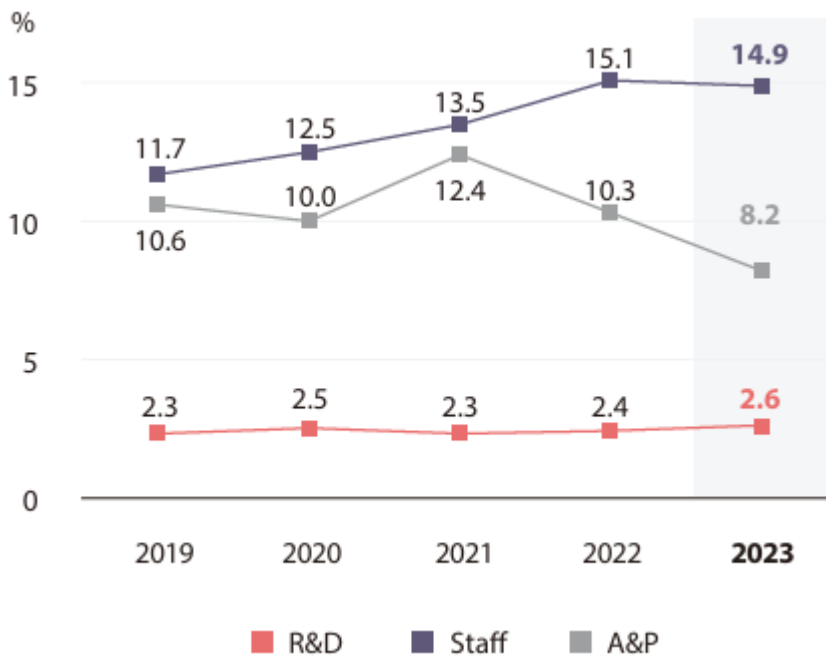
Company Name	ANPDY				Li Ning	Xtep International
Year	2021	2022	2023	Av	Av of 2021, 2022, 2023	Av of 2021, 2022, 2023
Turnover (in RMB' 1000)	49,328,000	53,651,000	62,356,000	55,111,667	25,324,718	12,429,700
Staff costs (%)	13.50	15.10	14.90	14.50	8.13	11.50
Research and product development expenses (%)	2.30	2.40	2.60	2.43	8.57	4.10
Advertising and marketing expenses (%)	12.40	10.30	8.20	10.30	2.03	7.20

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

In comparison to Li Ning and Xtep, ANPDY has the highest turnover, an average of RMB55,111,667,000 and allocates the largest percentage of its revenue to staff and advertising expenses (average of 10.30%) compared to Li Ning (2.03%) and Xtep (7.20%). However, it spends the least on research and development, average of 2.43% of its expenses, compared to the other Li Ning (8.57%) and Xtep (4.10%).

2.5.1. Operating expenses Ratios of ANPDY

Figure 2: ANPDY 's expense ratios (2019-2023)



Source by: ANTA Sports Products Limited (2023)

In 2023, ANPDY 's expense ratios showed notable changes. The ratio of advertising and promotional expenses to revenue decreased by 2.1%, attributed to fewer large campaigns and significant revenue growth. Staff costs increased by 14.6% to RMB 9,304 million, but their ratio to revenue fell slightly by 0.2%, reflecting continued investment in personnel. Conversely, the ratio of R&D costs to revenue rose by 0.2%, indicating an increase in investment in research and development.

2.6. Profitability

Table 8: Leverage ratio/ Return on Equity (after-tax), Profitability analysis for ANPDY, Li Ning, and Xtep International (2021-2023).

Company Name	ANPDY				Li Ning	Xtep
Year	2021	2022	2023	2021,2022, and 2023 Average	Average for 3 years (2021, 2022, 2023)	
Net profit (RMB' Million)	11,408	14,998	33,573	19,993	3,290	421
Net profit growth	92%	31.50%	123%	82.16%	62%	11.80%,
Gross profit margin	61.60%	60.20%	62.60%	61.50%	49.93%	41%
Net Profit Margin	16.70%	15.40%	18.10%	16.73%	15%	7.80%

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

ANTA Sports Products Limited consistently achieves a high gross profit margin, averaging 61.5% over three years (2021-2023), which is significantly higher than both Li Ning and Xtep. This superior margin indicates that ANPDY is more efficient at controlling its production costs while maintaining a high revenue, giving it a competitive edge in the market.

ANPDY 's average net profit margin of 16.73% over the three years is also higher than Li Ning and Xtep, showing that ANPDY not only generates substantial revenue but also effectively manages its expenses, leading to higher profitability. The show of the strong performance indicates that ANPDY is positioned in a manner to help it maximize profits compared to its competitors.

Table 9: Total Assets Turnover and Returns on Equity for ANPDY, Li Ning, and Xtep International (2021-2023)

Company Name	ANPDY			Li Ning	Xtep
Year	2021	2022	2023	2023	
Total Assets Turnover	0.79	0.78	0.68	0.81	0.83
Return on Equity (ROE)	0.29	0.26	0.23	0.13	0.12

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

Total Assets Turnover indicates how efficiently a company uses its assets to generate sales. ANPDY's average asset turnover ratio slightly decreased from 0.79 in 2021 to 0.68 in 2023, suggesting a decline in asset utilization efficiency. However, the ratio is still competitive compared to its peers, with Li Ning and Xtep showing slightly higher efficiency in 2023. ROE is used in measuring the profitability, reflecting how effectively a company uses equity from shareholders to generate profit. ANPDY's ROE has declined over the past three years, dropping from 0.29 in 2021 to 0.26 in 2022, and further to 0.23 in 2023. Despite this decrease, ANPDY's ROE remains higher than that of Li Ning and Xtep, indicating that it is still more effective at generating profits from its equity base. However, to maintain its competitive advantage, ANPDY should consider strategies to increase its ROE, such as leveraging equity financing more effectively.

2.7. Growth capacity

Table 10: Growth Capacity Analysis for ANPDY, Comparing with Li Ning, and Xtep International (2021-2023)

Company Name	ANPDY				Li Ning	Xtep
Year	2021	2022	2023	2021,2022, and 2023 Average	Average for 3 years (2021, 2022, 2023)	
Retention yield (times)	1.36	1.54	1.69	1.53	2.84	5.56
Dividend Payout Ratio	45.60%	44.30%	50.70%	46.86%	45%	50%
Retention Ratio	0.54	0.56	0.49	0.53	0.55	0.50
Self-sustainable Growth Ratio	16%	14%	11%	13.67%	7.15%	6%

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

2.7.1. Retention Yield

From Table 10, retention yield is calculated by dividing Retained Earnings by Net Income. It helps investors determine how much of the profit a company can be reinvesting in future growth. On an average, of the three companies, the retention yield of Xtep is the highest compared to Li Ning and Xtep. Over last three fiscal years, the retention yield has increased from 1.36 to 1.69 times. However, the future growth of ANPDY is at risk considering that it invests less into the future growth.

2.7.2. Self-sustainable Growth Ratio, SSGR

When comparing the Self-Sustainable Growth Ratios (SSGR) of ANPDY, Li Ning, and Xtep from 2021 to 2023, ANPDY demonstrates the strongest self-sustained growth potential, with an average SSGR of 13.67%. Despite a decline from 16.0% in 2021 to 11.0% in 2023, ANPDY maintains the highest average SSGR, indicating robust internal growth capacity. Li Ning, with a slightly lower average SSGR of 7.15%, reflects more moderate growth, suggesting a balanced but slower expansion compared to ANPDY. Xtep, with the lowest average SSGR of 6%, shows the least potential for self-sustained growth among the three, potentially requiring more external financing to achieve comparable growth rates. Overall, ANPDY leads in self-sustained growth, while Xtep faces more challenges in maintaining growth without external support. However, considering the declining trend in growth, ANPDY need to increase retained yield to maintain their self-sustaining growth rate in intra-industry level, otherwise, for its sustainable development to be affected.

2.8. Stock Market prospects analysis

Table 11: Stock Market Prospects Analysis for ANPDY, Li Ning, and Xtep International (2021-2023)

Company Name	ANPDY				Li Ning	Xtep
Year	2021	2022	2023	2021,2022, and 2023 Average	Average for 3 years (2021, 2022, 2023)	
Earnings per share (RMB)	2.87	2.82	3.69	3.13	1.46	0.38
Dividend Payout Ratio (%)	45.60	44.30	50.70	46.86	45.00	50.00
Dividend yield (%)	16.00	11.50	11.80	13.10	5.62	2.50

Adapted from: ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

2.8.1. Dividend Payout Ratio

ANPDY shows steady and rising ratio from 45.6% in 2021, to 50.7% in 2023 that indicates a healthy, maturing business, When the ratio spikes suddenly, could mean the dividend is heading into unsustainable territory. All the three companies' ratios are relatively close to each other; an average of 46.86% for ANPDY, 45% for Li Ning, and 50.0% for Xtep as shown in Table 11.

2.8.2. Dividend Yield

In comparing the average of the last three fiscal years, Xtep has the lowest EPS of RMB0.38, but it maintains a similar dividend payout ratio, and highest in returning earnings to shareholders. Li Ning, with an EPS of RMB1.46, also shows stability in returning, which may indicate a more aggressive dividend policy. ANPDY shows a gradual growth in the EPS from RMB2.87 in 2021 to RMB3.69 in 2023 and shows corresponding dividend yield from 16.0% to 11.80%. as shown in Table 11. The gradual growth in EPS reflects the company's growing profitability. And, the declining dividend yield could indicate that the company is retaining more earnings for reinvestment or other purposes rather than distributing them to shareholders.

Overall, ANPDY appears to be in a stronger position regarding stock market prospects, with better earnings growth and a balanced approach to dividends (average dividend yield ratio of 13.10), making it potentially more attractive to investors compared to that of Li Ning at 5.62, and Xtep at 2.50.

3.0. CORPORATE GOVERNANCE ASSESSMENT

Corporate governance directs and controls companies through boards of directors and shareholders (ICAEW, 2023). Shareholders appoint directors and auditors, ensuring a strong governance framework. In Hong Kong, the Corporate Governance Code (the CG Code) is fundamental to corporate governance that lists rules and mandates requirements of corporates (Cheung et al., 2024). The CG Code outlines a three-tier framework consisting of governance principles, code provisions, and recommended best practices (Tong, 2023). Good corporate governance mechanisms help build stable relationships with suppliers, distributors, franchisees, customers, shareholders and other stakeholders (Wiersema & Koo, 2022).

3.1. ANTA Sports Products Limited Corporate Governance

ANPDY holds with high regard the importance of achieving high corporate governance standards through enhancing the corporate performance, transparency and accountability, earning the confidence of Shareholders and the public. To ensure compliance, the company have complied with the code provisions of the CG Code during the year 2023 (Tong, 2023). First, the company have an established Board that is collectively responsible for their management, operations and decisions. In the Board, there is a balance of experienced and skilled members which are and critical for the long-term growth of ANTA. There is also a balanced composition of diverse executive directors and non-directors, which shows an independent element.

The Nomination Committee annually reviews the implementation and effectiveness of the board diversity policy, ensuring it aligns with the company's needs and current regulations. The committee has achieved board diversity since 2021, particularly in gender representation, and aims to reach 30% of women representation on the Board by 2030. The company also values diversity in the workforce, striving for over 40% of women in senior management positions by 2030, though challenges remain due to the current structure.

There is a remuneration policy in place for Directors and senior management that ensures competitive and fair packages based on market rates, individual performance, and business needs. Directors are required to stay informed about relevant developments in laws, regulations, and industry trends. Also, a strong transparent financial reporting that is adhering to international accounting standards should be in place.

The company governance oversees risk management, internal controls plus compliance with regulatory standards (Tong, 2023). Policies such as whistleblowing, anti-corruption and inside information management are regularly reviewed and updated to ensure transparency, ethical conduct, and effective governance across the organization.

Also, there is Sustainability Committee to focus on strategic objectives, such as promoting ESG awareness, managing material risks, and improving data transparency, with the ultimate goal of achieving carbon neutrality by 2050 and other environmental and social targets.

ANPDY Limited have implemented a shareholders' communication policy to ensure transparent and timely information sharing with shareholders and the investment community. The policy facilitates communication through various channels, including financial reports, general meetings, and the company's investor relations website, while also safeguarding shareholder privacy and encouraging active engagement with the company.

3.2. Suggestions for improvement

The governance should increase audit frequency by conducting more frequent internal and external audits to ensure robust compliance and identify control weaknesses.

Strengthening anti-corruption by expanding and updating anti-corruption training and policies to address emerging risks.

Advancing the risk management by implement advanced risk assessment tools and regularly update the risk management framework.

Revising the compensation policy to create a competitive, performance-linked compensation system with a strong long-term incentive scheme.

Developing young talent by launching recruitment and training programs for young professionals to support career growth.

Increase more female leadership to reach the set targets and provide training to boost female representation in executive roles.

Promote inclusivity by creating more opportunities for disabled and underprivileged individuals and foster an inclusive work environment.

4.0. INVESTMENT PROJECT ASSESSMENT FROM ANPDY

4.1. Project items basic information

ANPDY, through the recent acquisition of Amer Sports in 2019, have experienced significant decision making in its financial figures (Amer Sports, 2019). By analyzing key metrics like NPV, IRR, and cash flow projections, the investment appraisal sheds light on the potential advantages and risks of the acquisition, informing future strategic decisions and investment strategies.

ANTA Sports' Investment in a joint venture with AS Holding costed RMB10,551,000,000. As at March 2019, the project cost (RMB10,551,000,000) represented 26% of total assets of the ANTA Sports Group, and 53.82% of total assets of Amer Sports Holding (Cayman) Limited net assets (ANTA Sports Products Limited, 2019). A five-year RMB 10,492 million term loan facility was provided by independent banks to AS Holding to finance the acquisition of Amer Sports shares and refinance its debt, with the Company guaranteeing all obligations under the facility, which was fully drawn by 31 December 2023 ANTA Sports Products Limited (2023).

4.2. Computing Tax Cost

Table 12: ANTA Sports' Investment in the joint venture for the Subsequent Years (March 2019 -2023) (in RMB' Millions)

	2023	2022	2021	2020	From 26 March 2019 to 31 December 2019
Net loss/profit	(1,367)	50	(154)	(1,140)	(1,092)
Income Taxes Expense	(726)	(358)	(193)	(85)	(28)
Earnings Before Taxes	(2,093)	(308)	(347)	(1,225)	(1,120)
Effective Tax Rate %	34.70%	116.20%	55.60%	6.90%	2.50%

Adapted from: ANTA Sports Products Limited (2019); ANTA Sports Products Limited (2022); ANTA Sports Products Limited (2023).

In 2022, ANPDY's effective tax rate (ETR) was exceptionally high at 116.2%, indicating that income tax expenses exceeded earnings before tax (EBT), likely due to specific tax liabilities, adjustments, or penalties unrelated to current profitability. The relatively high ETRs for 2021 (55.6%) and 2023 (34.7%), despite net losses, suggest the impact of non-deductible expenses or tax adjustments, while the lower ETRs in 2020 (6.9%) and 2019 (2.5%) may indicate more effective tax planning or benefits during those years.

4.3. Cashflow calculation

Table 13: Cash Flow Calculation and Cumulative Cash Flow (2019-2023) (in RMB' Millions).

	2023	2022	2021	2020	2019	0 Years
EBITDA	3,745	2,575	2,367	1,615	1,233	
Interest expenses	(1,724)	(877)	(964)	(1,073)	(751)	
Income Taxes Expense	(726)	(358)	(193)	(85)	28	
Depreciation and Amortization	(1,580)	(1,311)	(1,375)	(1,604)	(1,627)	
Impairment	(1,131)	-	-	-	-	
Cash Flow	4,006	2,651	2,585	2,061	2,081	(10,551)

Adapted from: ANTA Sports Products Limited (2019); ANTA Sports Products Limited (2022); ANTA Sports Products Limited (2023).

4.4. Payback Period

Payback Period=Average Cost of Investment/ Annual Cash Flow

The Time value of money is ignored in this case.

Table 14: Payback Period Analysis and Cumulative Cash Flow for ANTA Sports (2020-2023) (in RMB' Millions).

	2023 Year 5	2022 Year 4	2021 Year 3	2020 Year 2	2019 Year 1	0 Years
Cash Flow	4,006	2,651	2,585	2,061	2,081	(10,551)
Cumulative Cash Flow	2,833	(1,173)	(3,824)	(6,409)	(8,470)	(10,551)

Source by: ANTA Sports Products Limited (2019); ANTA Sports Products Limited (2022); ANTA Sports Products Limited (2023).

The cumulative cash flow transitions from negative to positive only in 2023, suggesting a long payback period if only future cash flows are considered.

The Payback Period = 4.3 Years

4.5. IRR and NPV calculation

Assumed discount rate of 5.75%

From the ANTA's financial report 2023, the discount rate used are same as those of the Hong Kong's policy rate. As per reports, this is averaged at 5.75 % pa (Hong Kong Monetary Authority 2023).

NPV= RMB594,550,000

The NPV indicates that the investment is expected to generate a positive return above the 5.75% discount rate, making it a worthwhile investment.

To calculate IRR, Assuming NPV = 0,

IRR= 7.58%

4.6. Investment appraisal

From the data analysis results, the acquisition of AMER for the payback period is 4.3 years and net present value is positive value. The analysis assumes that economic and market conditions will remain stable enough to support continued revenue growth. Therefore, the project investment appraisal has a positive return, and should also help group in exploring sales network, hence should continue with the project.

4.7. New project appraisal methods for analysis

For future projects, ANTA should consider a variety of advanced appraisal methods to ensure comprehensive evaluation and risk management. Sensitivity analysis will help assess how changes in key assumptions, such as discount rates or growth rates, affect the project's NPV and IRR, identifying critical risk variables (Fernando & Kindness, 2024).

The Economic Value Added (EVA) can be calculated since it can be helpful in understanding economic profit that is generated beyond the required return for shareholders. Also, break-even analysis will determine the point at which the project's revenue covers its costs, ensuring a clear understanding of the minimum performance needed for viability.

5.0. FINANCING AND CAPITAL MANAGEMENT

5.1. Financing methods for analyzing ANPDY

Table 15: Financing Methods and Liquidity Ratios for ANPDY, Li Ning, and Xtep International (2021-2023).

Company Name	ANPDY			Li Ning	Xtep International
Year	2021	2022	2023	2023	
Cash ('million RMB)	17,592	17,378	15,228	4,688	3,295
Bank loans	4,218	2,959	3,573	0	2,645
Quick Ratio	2.02	1.30	2.18	1.38	2.20
Equity	28,923	34,400	51,460	24,407	8,863
Cash Ratio	1.10	0.66	0.74	0.75	0.56
Net debt ratio	-0.46	-0.42	-0.23	-0.19	-0.07

Adapted from: ANTA Sports Products Limited (2022); ANTA Sports Products Limited (2023); Li Ning Company Limited (2023); Xtep International Holdings Limited (2023).

ANPDY, Li Ning, and Xtep maintains a net cash position, that shows more cash than debt. ANTA and Li Ning exhibit more conservative financing strategies with significantly negative net debt ratios, signaling a strong preference for self-financing and minimal reliance on debt, which enhances financial stability. Xtep, with a less negative ratio, balances debt and cash, suggesting a more moderate approach to financing, leveraging some debt to support growth while still maintaining healthy cash reserves (Hayes & Khartit, 2024).

The companies' financing methods directly affect their working capital management. When there is a high liquidity ratio, it implies a strong ability to manage day-to-day operations without strain. Overly conservative cash management can also suggest underutilization of capital, which could lead to missed opportunities for investment in growth initiatives (Hayes & Khartit, 2024). For ANPDY, Li Ning, and Xtep, future strategies should consider optimizing the balance between cash reserves and debt to ensure both agility in operations and long-term growth potential.

5.2.Financing Options for Raising Additional Cash

Considering the need for ANPDY to raise cash equivalent to 3% of the total assets to finance a new project, the available options could include, equity issuance, debt financing or convertible bonds. When equity issuance is considered, the company will be provided with the advantage of no repayment obligations and strengthened balance sheet (Maverick et al., 2024). However, this option would lead to shareholder dilution and reduction of EPS. This option will also likely improve ANPDY's quick and cash ratios and enhance the net debt ratio.

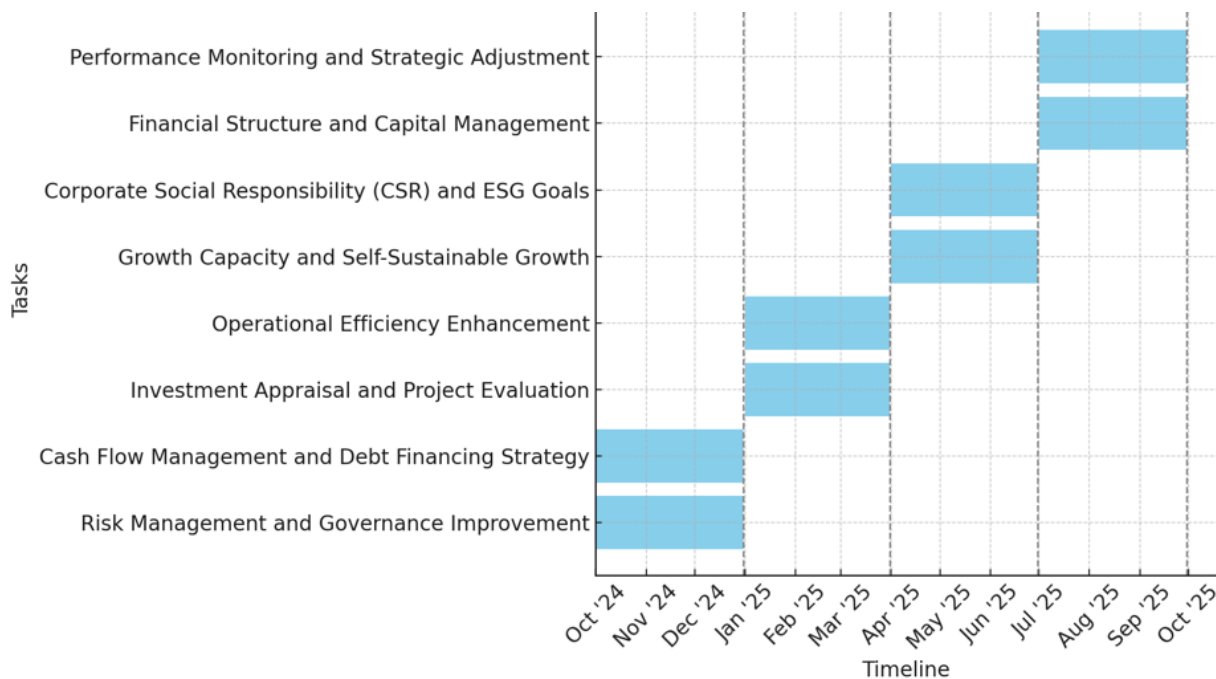
Another financing option would be debt financing. However this option's chances of avoiding ownership dilution and offering tax-deductible interest payments, it can increase the financial risk resulting from mandatory interest payments hence straining the company's liquidity (Maverick et al., 2024). This may lower the quick and cash ratios while worsening the net debt ratio due to higher leverage.

Convertible bonds is another option to be considered. This option would present a middle ground, offering lower interest costs with deferred dilution until conversion. While there is an initial impact on cash flow due to interest payments, the potential future conversion to equity can improve the net debt ratio over time (Lake, 2022). Hence, this would be the best recommended financing option for new ANPDY's project when raising assets for financing. While maintaining a strong net cash position is beneficial, ANPDY could explore convertible bonds, to access capital for expansion without heavily diluting equity or over-leveraging the company (Lake, 2022).

6.0. Gantt Chart for Annual Operational Quarterly Plan

These tasks have been planned for the next 12 months based on their financial impact and the amount of attention required by management.

Figure 3 Annual Operational quarterly plan for the coming 12 months (4 quarters)



7.0. Conclusion and Recommendations

This report has greatly analysed different financial strategies, investment appraisal, and capital management practices of ANPDY, particularly in comparison with Li Ning and Xtep International. ANPDY's financial metrics reflect a strong position in liquidity and capital management, with quick and cash ratios consistently indicating a robust ability to meet short-term obligations. Li Ning shares similar traits, while Xtep's approach suggests a nuanced balance between liquidity and growth-driven debt.

However, ANPDY should consider refining its capital management strategy to strike a better balance between maintaining liquidity and utilizing capital for growth. This might involve exploring debt financing for specific growth initiatives where the cost of capital is favorable. ANPDY should incorporate advanced appraisal techniques such as sensitivity analysis, Economic Value Added (EVA), and break-even analysis for future analysis. These methods will provide deeper insights into the risks and potential returns, ensuring more informed decision-making (Vipond & Schmidt, 2024).

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