



LI NING COMPANY LIMITED

李寧有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2331)



INTERIM REPORT 2020



## MISSION

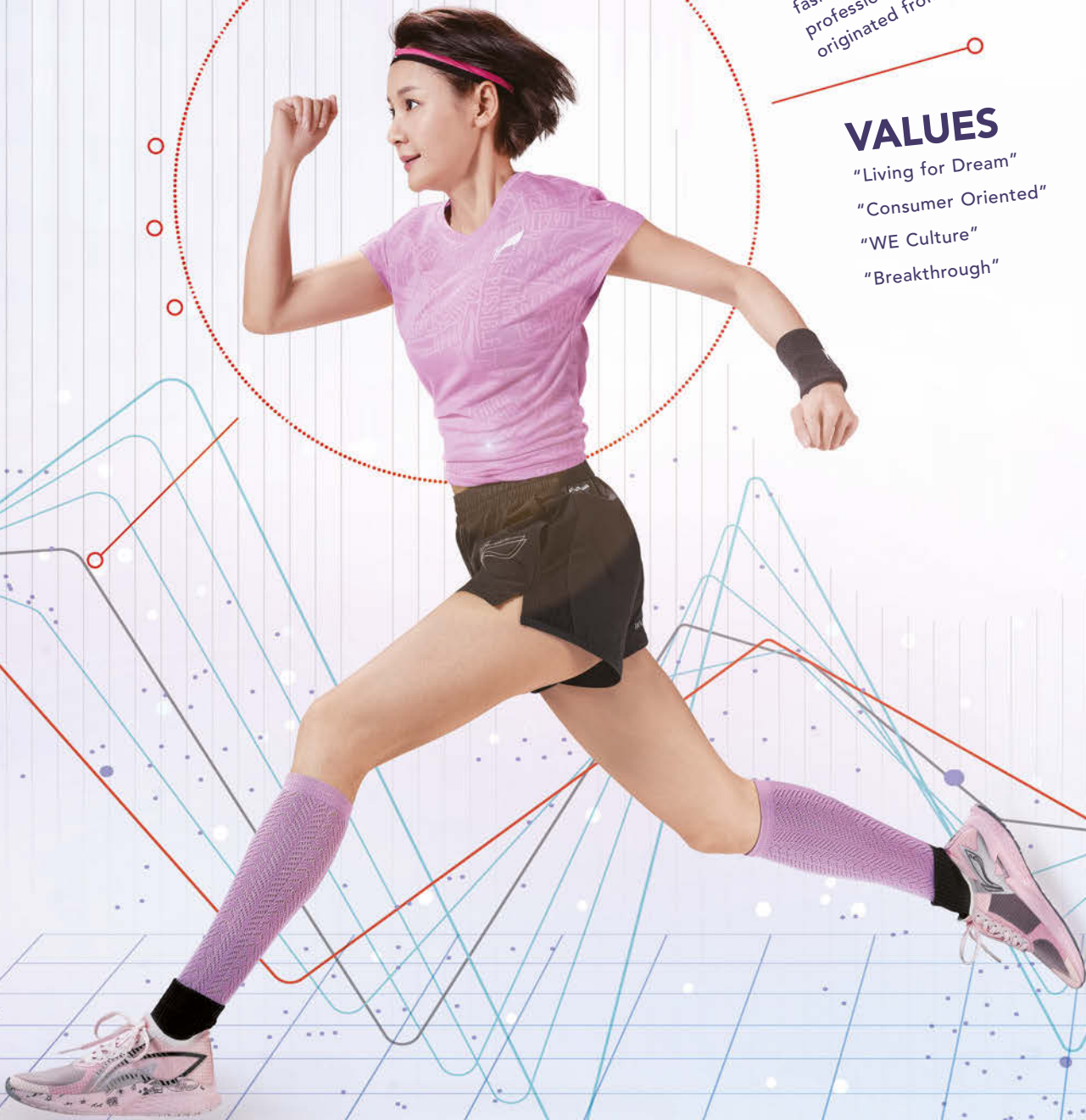
Let Sports Light Your  
Passion

## VISION

To be the renowned  
fashionable world-leading  
professional sports brand  
originated from China

## VALUES

"Living for Dream"  
"Consumer Oriented"  
"WE Culture"  
"Breakthrough"





## ● ABOUT LI NING GROUP

Li Ning Company Limited is one of the leading sports brand companies in China, mainly operating professional and leisure footwear, apparel, equipment and accessories under the LI-NING brand. Headquartered in Beijing, the Group has brand marketing, research and development, design, manufacturing, distribution and retail capabilities. It has established an extensive retail distribution network and supply chain management system in China. We are committed to becoming a world-class international professional sports brand enterprise with fashion attributes that can represent China and be recognized worldwide.

In addition to its core LI-NING brand, the Group also manufactures, develops, markets, distributes, sells various sports products which are self-owned by or licensed to the Group, including Double Happiness (table tennis), AIGLE (outdoor sports), Danskin (fashionable fitness products for dance and yoga) and Kason (badminton), which are operated through joint venture/associate with third parties of the Group.

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# Corporate Information

## **BOARD OF DIRECTORS**

### *Executive Directors*

Mr. LI Ning (*Executive Chairman and  
Joint Chief Executive Officer*)  
Mr. KOSAKA Takeshi (*Joint Chief Executive Officer*)  
Mr. LI Qilin

### *Independent non-executive Directors*

Mr. KOO Fook Sun, Louis  
Ms. WANG Ya Fei  
Dr. CHAN Chung Bun, Bunny, *GBS, JP*  
Mr. SU Jing Shyh, Samuel

## **AUDIT COMMITTEE**

Mr. KOO Fook Sun, Louis (*Committee Chairman*)  
Ms. WANG Ya Fei  
Dr. CHAN Chung Bun, Bunny, *GBS, JP*

## **REMUNERATION COMMITTEE**

Ms. WANG Ya Fei (*Committee Chairperson*)  
Mr. LI Qilin  
Dr. CHAN Chung Bun, Bunny, *GBS, JP*

## **NOMINATION COMMITTEE**

Mr. SU Jing Shyh, Samuel (*Committee Chairman*)  
Mr. LI Ning  
Dr. CHAN Chung Bun, Bunny, *GBS, JP*

## **AUTHORISED REPRESENTATIVES**

Mr. LI Ning  
Ms. WANG Ya Fei

## **COMPANY SECRETARY**

Ms. TAI Kar Lei

## **REGISTERED OFFICE**

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

## **PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 3301, 33/F., BEA Tower  
Millennium City 5, 418 Kwun Tong Road  
Kowloon, Hong Kong  
Telephone: +852 3541 6000  
Fax: +852 3102 0927

## **OPERATIONAL HEADQUARTERS**

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Opto-Mechatronics Industrial Park  
Zhongguancun Science & Technology Area  
Tongzhou District  
Beijing, PRC  
Postal Code: 101111  
Telephone: +8610 8080 0808  
Fax: +8610 8080 0000

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

SMP Partners (Cayman) Limited  
Royal Bank House –  
3rd Floor, 24 Shedden Road  
P.O. Box 1586  
Grand Cayman KY1-1110  
Cayman Islands

## **Corporate Information** (Continued)

### ***HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE***

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### ***AUDITOR***

PricewaterhouseCoopers  
*Certified Public Accountants and Registered PIE Auditor*

### ***LEGAL ADVISORS***

*Hong Kong law*  
LC Lawyers LLP

*PRC law*  
TAHOTA Law Firm

### ***PRINCIPAL BANKERS***

*Hong Kong*  
Hang Seng Bank Limited  
China MinSheng Banking Corporation Limited  
The Hongkong and Shanghai Banking Corporation Limited

*PRC*  
Industrial & Commercial Bank of China  
China Construction Bank  
Bank of China  
China Merchants Bank  
China MinSheng Banking Corporation Limited  
Ping An Bank Co., Ltd.





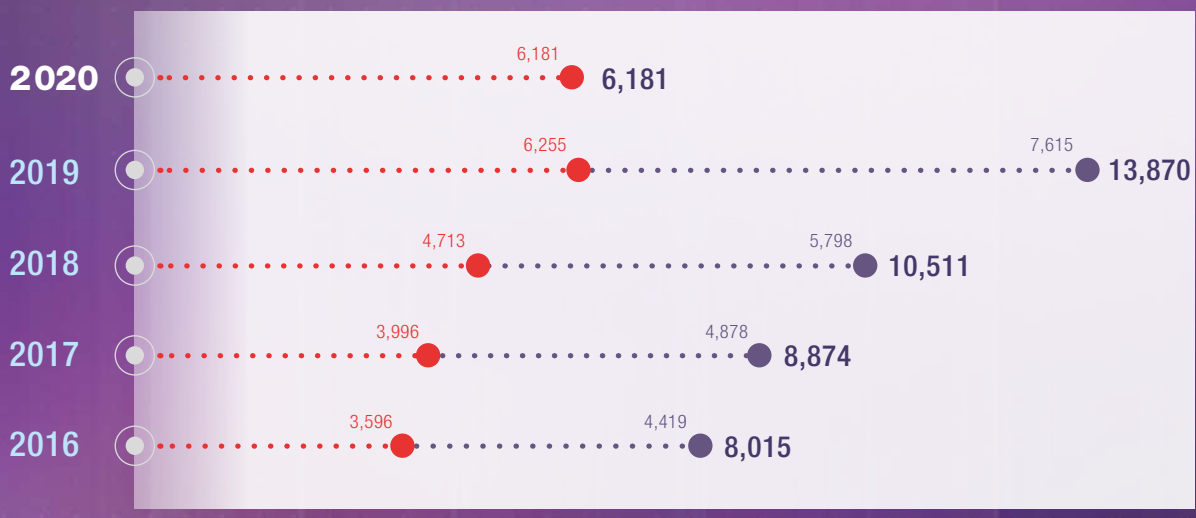


# SPORTS MANSHIP

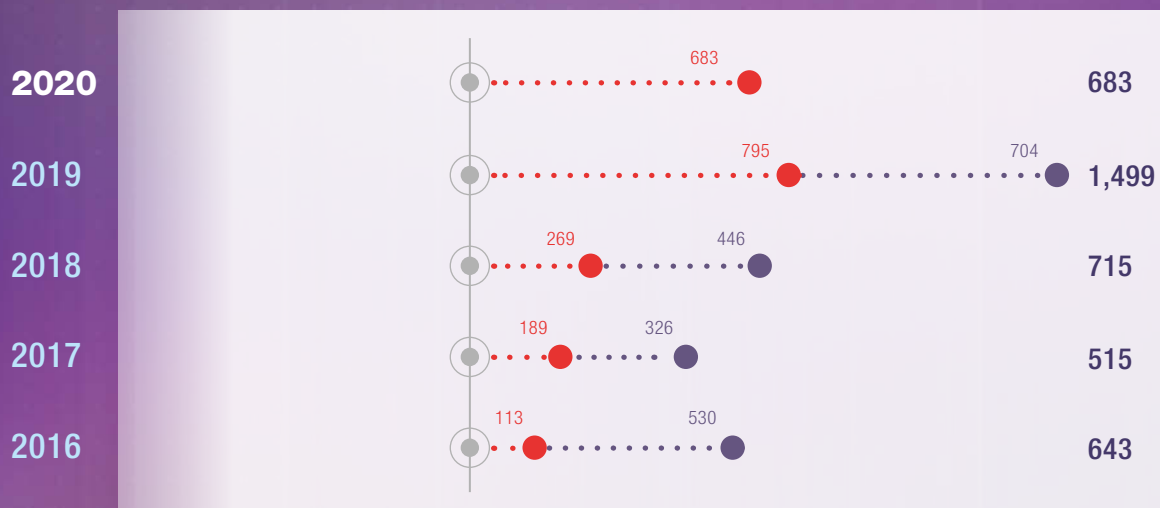


# Five-year Financial Highlights

## Turnover



## Profit attributable to equity holders



(All amounts in RMB millions)

■ First half year    ■ Second half year    ■ Full year



# Management Discussion and Analysis

## Financial Overview

The key operating and financial performance indicators of the Group for the six months ended 30 June 2020 are set out below:

	Unaudited		Change (%)
	Six months ended 30 June		
	2020	2019	
<b>Income statement items</b>			
<i>(All amounts in RMB thousands unless otherwise stated)</i>			
Revenue (Note 1)	6,180,935	6,254,730	(1.2)
Gross profit	3,056,791	3,107,958	(1.6)
Operating profit	897,908	678,062	32.4
Earnings before interest, tax, depreciation and amortisation (EBITDA) (Note 1)	1,407,637	1,352,637	4.1
Profit attributable to equity holders (Note 2)	683,271	794,999	(14.1)
Basic earnings per share (RMB cents) (Note 3)	27.98	32.88	(14.9)
<b>Key financial ratios</b>			
<b>Profitability ratios</b>			
Gross profit margin (%)	49.5	49.7	
Operating profit margin (%)	14.5	10.8	
Effective tax rate (%)	24.7	18.9	
Margin of profit attributable to equity holders (%)	11.1	12.7	
Return on equity attributable to equity holders (%)	9.3	13.0	
<b>Expenses to revenue ratios</b>			
Staff costs (%)	10.1	11.6	
Advertising and marketing expenses (%)	9.0	8.9	
Research and product development expenses (%)	2.2	2.1	
<b>Asset efficiency</b>			
Average inventory turnover (days) (Note 4)	84	74	
Average trade receivables turnover (days) (Note 5)	22	24	
Average trade payables turnover (days) (Note 6)	76	66	

## Management Discussion and Analysis (Continued)

	Unaudited 30 June 2020	Audited 31 December 2019
<b>Asset ratios</b>		
Debt-to-equity ratio (%) (Note 7)	66.7	76.2
Net asset value per share (RMB cents)	308.76	311.15

### Notes:

1. The calculation of earnings before interest, tax, depreciation and amortisation (EBITDA) is based on the sum of profit for the period, income tax expense, finance expenses – net, depreciation on property, plant and equipment, amortisation of land use rights and intangible assets and depreciation on right-of-use assets.
  2. Including profit attributable to equity holders for the period from 1 January to 31 March 2020: RMB278,642,000.
  3. The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period, divided by the weighted average number of shares in issue less ordinary shares held for Restricted Share Award Scheme.
  4. The calculation of average inventory turnover (days) is based on the average of opening and closing inventory balances of the period, divided by cost of sales and multiplied by the total number of days in the period.
  5. The calculation of average trade receivables turnover (days) is based on the average of opening and closing balances of trade receivables of the period, divided by revenue and multiplied by the total number of days in the period.
  6. The calculation of average trade payables turnover (days) is based on the average of opening and closing balances of trade payables of the period, divided by total purchases and multiplied by the total number of days in the period.
  7. The calculation of debt-to-equity ratio is based on total liabilities divided by capital and reserves attributable to equity holders of the Company at the end of the period.
- \* The aforesaid indicators provided by the Group may not necessarily be the same in terms of calculation methods as those provided by other issuers.

## Management Discussion and Analysis (Continued)

### Revenue

The Group's revenue for the six months ended 30 June 2020 amounted to RMB6,180,935,000, representing a decrease of 1.2% as compared to the corresponding period of 2019. In the first half of 2020, the COVID-19 pandemic posed high risks to the world. The Group's overall sales revenue also failed to meet the expected target as a result of this special public health emergency. In order to cope with the impact brought by the COVID-19 pandemic, the Group actively adopted costs and expenses control initiatives as well as enhanced efficiency to seize the subsequent sales rebound with the COVID-19 pandemic being kept well under control in the PRC and continue to develop products featuring our unique sports DNA and Chinese elements with a view to minimising the losses of revenue from all channels due to the COVID-19 pandemic, among which: (a) after comprehensive negotiations with franchised distributors, the Group reduced the amount of orders in some of the trade fair orders. With confidence in both market recovery and our brands, the revenue of franchised distributors recorded a small increase compared with the corresponding period last year; (b) as affected by the COVID-19 pandemic, sales of offline retail terminal stores suffered relatively significantly because majorities of the directly-operated stores were in metro and high-tier cities which were more severely impacted by drop in traffic, thus recording a decrease of approximately 24% in sales revenue from direct operation; and (c) the e-commerce channel significantly outperformed the offline channel. In recent years, the Company has strengthened the online interaction with consumers. During the outbreak of the COVID-19 pandemic, it has stepped up the efforts in transforming offline traffic to online channels, contributing to a growth in revenue of 23% from the e-commerce channel. The Company will continue to monitor the situation of the COVID-19 pandemic and adjust its strategies in a timely manner so as to better respond to the risks brought by the COVID-19 pandemic.

### Revenue breakdown by product category

	Six months ended 30 June		2019		Revenue Change (%)
	2020	% of total revenue	RMB'000	% of total revenue	
Footwear	2,924,956	47.3	2,921,728	46.7	0.1
Apparel	2,941,172	47.6	3,060,044	48.9	(3.9)
Equipment and accessories	314,807	5.1	272,958	4.4	15.3
<b>Total</b>	<b>6,180,935</b>	<b>100.0</b>	<b>6,254,730</b>	<b>100.0</b>	<b>(1.2)</b>



## Management Discussion and Analysis (Continued)

### Revenue breakdown (in %) by sales channel

	Six months ended 30 June		Change (%)
	2020 % of revenue	2019 % of revenue	
PRC market			
Sales to franchised distributors	50.3	48.6	1.7
Sales from direct operation	21.6	28.1	(6.5)
Sales from e-commerce channel	27.0	21.7	5.3
International markets	1.1	1.6	(0.5)
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

### Revenue breakdown by geographical location

	Note	Six months ended 30 June		Revenue change (%)
		2020 RMB'000 % of revenue	2019 RMB'000 % of revenue	
PRC market				
Northern region	1	3,249,723 52.6	3,191,126 51.0	1.8
Southern region	2	2,134,725 34.5	2,175,937 34.8	(1.9)
South China region	3	728,218 11.8	790,168 12.6	(7.8)
International markets		68,269 1.1	97,499 1.6	(30.0)
<b>Total</b>		<b>6,180,935 100.0</b>	<b>6,254,730 100.0</b>	<b>(1.2)</b>

#### Notes:

1. The Northern region includes provinces, municipalities and autonomous regions covering Beijing, Tianjin, Shanxi, Shandong, Hebei, Inner Mongolia, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Gansu, Ningxia, Xinjiang and Qinghai.
2. The Southern region includes provinces, municipalities and autonomous regions covering Yunnan, Guizhou, Sichuan, Jiangxi, Chongqing, Tibet, Shanghai, Zhejiang, Jiangsu, Hunan, Hubei and Anhui.
3. The South China region includes provinces, autonomous regions and special administrative region covering Guangdong, Guangxi, Fujian, Hainan and Macau.

# Management Discussion and Analysis (Continued)

## Cost of Sales and Gross Profit

For the six months ended 30 June 2020, the overall cost of sales of the Group amounted to RMB3,124,144,000 (2019: RMB3,146,772,000), and the overall gross profit margin was 49.5% (2019: 49.7%). Affected by the COVID-19 pandemic during the period, the Group increased the discounts offered due to the very promotional retail environment. In addition, the inventory provision increased along with the increase in gross value of inventories. This negative impact was partially offset by increase in new product tag price markup, therefore resulting in a decrease of 0.2 percentage point in gross profit margin for the period as compared to the corresponding period last year.

## Distribution Expenses

For the six months ended 30 June 2020, the Group's overall distribution expenses amounted to RMB1,948,689,000 (2019: RMB2,023,392,000), accounting for 31.5% (2019: 32.3%) of the Group's total revenue.

Despite the online channels achieved satisfactory performance in general during the outbreak of the COVID-19 pandemic and the related commissions and logistics expenses have increased accordingly, as well as the increase of depreciation charges in relation to assets of points of sale in recent years as a result of the Group's effort in building up trendy and efficient stores, the percentage of distribution expenses to revenue dropped by 0.8 percentage point during the period, which is mainly attributable to: (1) wages and bonuses of direct sales staff and license fees that are linked to part of the income of particular products have decreased in accordance with the decrease in revenue; and (2) variable rentals have decreased in accordance with the decline in sales revenue from retail terminal during the outbreak of the COVID-19 pandemic, while certain stores enjoyed rent concessions, which has effectively reduced the rental expenses. The overall distribution expenses for the period have decreased by RMB74,703,000 as compared to the corresponding period last year.

## Administrative Expenses

For the six months ended 30 June 2020, the Group's overall administrative expenses amounted to RMB346,276,000 (2019: RMB450,913,000), accounting for 5.6% (2019: 7.2%) of the Group's total revenue with a year-on-year decrease of 1.6 percentage point. Administrative expenses mainly comprised staff costs, management consulting fees, office rental, depreciation and amortisation charges, technological development fees, taxes and other miscellaneous daily expenses.

The decrease in administrative expenses is mainly attributable to: (1) considering the spillover impact of the COVID-19 pandemic on global public health, in order to minimise the pressure currently facing and will be faced by the Group in the future due to the COVID-19 pandemic, the Group has reduced the expenses in relation to bonuses of officers, consultation fee expenses, travel costs and other expenses through effective management during the period, thereby creating more rooms for adjustments to facilitate the Group's stable operation; and (2) the Group has made provision for the one-off goodwill impairment not related to operation of RMB36,394,000 in aggregate resulting from the realignment of the Group's overall channel structure during the corresponding period last year, while there was no such provision during the period. Consequently, the Group's administrative expenses and its percentage to revenue have decreased as compared to the corresponding period last year.

## Share of Profit of Investments Accounted for Using the Equity Method

For the six months ended 30 June 2020, the Group's share of profit of investments accounted for using the equity method amounted to RMB21,767,000 (2019: RMB310,479,000). During the corresponding period last year, the Group shared the one-off gain of RMB269,925,000 in relation to the expropriation of a land parcel held by Shanghai Double Happiness Co., Ltd. ("Double Happiness", an associate of the Group).

# Management Discussion and Analysis (Continued)

## Significant Investment

As of 30 June 2020, the significant investment held by the Group is the 47.5% equity interest in Double Happiness. The cost of the Group's investment in Double Happiness is RMB587.335 million. As of 30 June 2020, the carrying value of the interest in Double Happiness held by the Group calculated using the equity method is RMB953.176 million (30 June 2019: RMB937.555 million), representing a percentage of approximately 7.5% (30 June 2019: 8.6%) of the Group's total assets. Details of the performance of Double Happiness during the period are set out in note 11 "Investments accounted for using the equity method" to the condensed consolidated interim financial information.

Double Happiness is principally engaged in manufacturing and sales of sports products. As a world-renowned brand of table-tennis related products, the Double Happiness brand owned by it is the supplier of equipment and gears for use in various major tournaments in the PRC or globally. The Double Happiness brand products are mainly sold by means of wholesale and integrated sports goods shops. Double Happiness has relatively stable customer base in nearly 30 provinces and municipalities in the PRC. Recently, it has put more resources in expanding its business presence in online sales. Leveraging its excellent product R&D and design capabilities and long-established brand popularity, the Double Happiness brand manages to maintain its leading position in the domestic market of similar products consistently. The investment in Double Happiness will create synergy with Li Ning brand in terms of sales and marketing of brand products, tournament sponsorship and channel expansion.

## Supplemental Information to Annual Report for the Year Ended 31 December 2019 ("2019 Annual Report")

In addition to the information regarding its investment in Double Happiness disclosed in the 2019 Annual Report, the Company would like to provide the following additional information pursuant to paragraph 32(4A) of Appendix 16 to the Listing Rules in relation to its significant investment as of 31 December 2019:

The cost of the Group's investment in Double Happiness is RMB587.335 million. The carrying value of the interest in Double Happiness held by the Group calculated using the equity method is RMB916.959 million, representing a percentage of approximately 7.3% of the Group's total assets. As stated above, the investment in Double Happiness will create synergy with Li Ning brand in terms of sales and marketing of brand products, tournament sponsorship and channel expansion.

The above additional information does not affect other information contained in the 2019 Annual Report and save as disclosed above, all other information in the 2019 Annual Report remains unchanged.

## Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA)

For the six months ended 30 June 2020, the Group's EBITDA amounted to RMB1,407,637,000 (2019: RMB1,352,637,000), representing a year-on-year increase of 4.1%. During the corresponding period last year, the Group shared gain of RMB269,925,000 in relation to the expropriation of a piece of land parcel held by Double Happiness and made provision for goodwill impairment of RMB36,394,000 due to the realignment of the Group's overall channel structure. Apart from the aforementioned factors, for the six months ended 30 June 2020, the Group's EBITDA recorded a year-on-year increase of 25.8%. Despite the impact of the COVID-19 pandemic, the Group actively adopted the measures of controlling costs and expenses, coupled with the increased subsidies received from the government, therefore the Group has achieved relatively satisfactory results performance.



# Management Discussion and Analysis (Continued)

## Finance expenses

For the six months ended 30 June 2020, the Group's net finance expenses amounted to RMB12,494,000 (2019: RMB8,239,000). The increase in net finance expenses was mainly due to the increase in the Group's interest expenses recognised on lease liabilities during the period as a result of the increase in the average number of stores capitalised according to the requirement under IFRS 16 as compared to the corresponding period last year.

## Income Tax Expense

For the six months ended 30 June 2020, the income tax expense of the Group amounted to RMB223,910,000 (2019: RMB185,303,000) and the effective tax rate was 24.7% (2019: 18.9%). Currently, the Group's income tax expense is almost in line with the standard level.

## Overall Profitability Indicators

Despite the decrease in both sales revenue and gross profit margin as affected by the COVID-19 pandemic during the period, after excluding the one-off profit and loss not related to operation for the corresponding period last year, the overall profitability indicators of the Group for the six months ended 30 June 2020 have still improved through its control over the expense ratio. During the period, the Group's profit attributable to equity holders amounted to RMB683,271,000 (2019: RMB794,999,000; and RMB561,468,000 after excluding the one-off profit and loss not related to operation), representing a year-on-year decrease of 14.1% (a year-on-year increase of 21.7% after excluding the one-off profit and loss not related to operation). The margin of profit attributable to equity holders was 11.1% (2019: 12.7%; and 9.0% after excluding the one-off profit and loss not related to operation). Return on equity attributable to equity holders was 9.3% (2019: 13.0%; and 9.3% after excluding the one-off profit and loss not related to operation).

## Provision for Inventories

The Group's policy in respect of provision for inventories for the first half of 2020 was the same as that in 2019. Inventories of the Group are stated at the cost or net realisable value, whichever is lower. In the event that net realisable value falls below cost, the difference is taken as provision for inventories. The Group considers this policy to be adequate in ensuring appropriate provision for inventories is made by the Group.

As at 30 June 2020, the accumulated provision for inventories was RMB188,606,000 (31 December 2019: RMB132,687,000). During the period, due to the impact of the COVID-19 pandemic and the slowdown in the inventory turnover of old products, the balance of the provision for inventories increased along with the increase in gross value of inventories. In respect of inventory of new products, timely adjustments have been made by the Group to reduce the number of orders, at the same time destocking the existing inventories through discount promotions. The Group will continue to monitor the changes in inventory ageing so as to improve the inventory ageing structure.

## Provision for Doubtful Debts

The Group's policy in respect of provision of doubtful debts for the first half of 2020 was the same as that in 2019. The provision of doubtful debts was recorded at an amount equal to the lifetime expected credit losses of the trade receivables that do not contain a significant financing component, and 12 months expected credit losses or lifetime expected credit losses of other receivables, depending on whether there has been a significant increase in credit risk since initial recognition.

## Management Discussion and Analysis (Continued)

As at 30 June 2020, the accumulated provision for doubtful debts was RMB291,386,000 (31 December 2019: RMB267,315,000), among which the accumulated provision for doubtful debts of trade receivables was RMB283,606,000 (31 December 2019: RMB258,193,000) and the accumulated provision for doubtful debts of other receivables was RMB7,780,000 (31 December 2019: RMB9,122,000). The trade receivables and other receivables written off during the period as uncollectible and the effect of exchange rate amounted to RMB349,000 (2019: RMB8,871,000). With the small increase of the revenue of franchised distributors, the gross value of trade receivables and provision for doubtful debts also increased slightly.

### Liquidity and Financial Resource

The Group's net cash from operating activities for the six months ended 30 June 2020 amounted to RMB478,986,000 (2019: RMB1,366,159,000). As at 30 June 2020, cash and cash equivalents (including cash at banks and in hand, and fixed term deposits with original maturity of no more than three months) amounted to RMB5,560,606,000, representing a net decrease of RMB400,839,000, as compared with the position as at 31 December 2019. Adding back fixed term deposits which were recorded in financial assets at fair value through other comprehensive income, cash balance amounted to RMB5,760,606,000. The decrease was due to the following items:

	Unaudited Six months ended 30 June 2020 RMB'000
<b>Item</b>	
<b>Operating activities:</b>	
Net cash generated from operating activities	478,986
<b>Investing activities:</b>	
Net cash used in investing activities	(479,179)
<b>Financing activities:</b>	
Net cash used in financing activities	(406,605)
Add: Exchange gains on cash and cash equivalents	5,959
<b>Net decrease in cash and cash equivalents</b>	<b>(400,839)</b>
Add: Fixed term deposits which were recorded in financial assets at fair value through other comprehensive income	200,000
<b>Net decrease in cash balance</b>	<b>(200,839)</b>

The Group's cash flow from operating activities decreased significantly year-on-year. Due to the impact of the COVID-19 pandemic, the operation of certain offline stores were suspended in the first quarter of 2020, which has resulted in stagnant retail sell-through. The Group will pay close attention to the security of capital and make reasonable capital utilisation plans in order to effectively respond to the negative impact brought by the COVID-19 pandemic.

As at 30 June 2020, the Group's banking facilities amounted to RMB1,269,700,000, without outstanding borrowings.

## Management Discussion and Analysis (Continued)

During the period, the Group did not hedge its exposure to interest rate risks via interest-rate swaps.

### Foreign Exchange Risk

The Group's operations are mainly carried out in the PRC, with most transactions settled in Renminbi. The reporting currency of the Group is Renminbi. The Group's subsidiaries in South Korea and Hong Kong use South Korean Won and Hong Kong Dollars as their respective functional currencies. The Group has a small amount of cash and bank deposits denominated in Hong Kong Dollars, United States Dollars, Euros and South Korean Won. The Company also pays dividends in Hong Kong Dollars. In addition, the Group pays certain license fees, sponsorship fees and consultation fees in United States Dollars or Euros.

The Group did not hedge its foreign exchange exposure during the period. Any significant exchange rate fluctuations of foreign currencies against Renminbi may have had financial impact on the Group.

### Pledge of Assets

As at 30 June 2020 and 31 December 2019, the Group had no pledged assets.

### Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

## Business Review

Looking back into the first half of 2020, despite the pressure from the external environment, the national economy in China still showed relatively strong resilience and profound stability. Against this backdrop, the sports consumption market in China still saw a promising outlook with huge potential despite facing the pressure in the short run. Amidst the changing external environment, the sports industry continued to seek opportunities for resource utilization in a reasonable manner and promote quality improvement and upgrade of itself with the aid of big data and new technologies. Meanwhile, with the constantly improving household living standard in China, the concept of consumers' healthy living style was increasingly enhanced, thereby driving the robust development of the sports industry which has gradually become a key pillar of the national economy. Facing the increasing diversified consumer demands for sports consumptions, we further focused on enhancing LI-NING's experience value and strived to meet the individual needs of consumers through precise marketing strategies and constantly enhance consumer experience and satisfaction through all-round services and innovative and interactive means. Furthermore, leveraging the in-depth analysis of the fashion trend and the precise grasp of consumers' mindsets, we continued to enhance our brand core value, which has enhanced both our product and brand competitiveness. During the period, through effective internal and external control, the Group endeavored to alleviate the pressure from the COVID-19 pandemic and conducted comprehensive prevention measures in a timely manner. Despite the revenue and key operational indicators of the Group having been affected to a certain extent, the profitability of the Group remained resilience.

During the period, we enhanced and optimized LI-NING's experience value comprehensively by focusing our efforts on products, channels and retail capability, and supply chain optimization and upgrade, and steadily promoting the core strategy of "Single Brand, Multi-categories, Diversified Channels". In terms of products, we continued to emphasize on the product's professional and functional features and scale up the efforts on research and development so as to continuously upgrade product functions; meanwhile, we constantly shaped our sports products with new styles and new appearances



## Management Discussion and Analysis (Continued)

through insightful interpretation of the fashion culture. We believe that products integrating excellent functions and unique styles can convey our brand value and offer consumer experience with higher quality more effectively. In terms of sales channels, we continued to optimize our channels and accelerate the reform of retail operation models; at the same time, we deployed the omni-channel strategy by exploring new retail in facilitation for further unleashing channel efficiency. In terms of supply chain, we continued to integrate supplier resources, established our own supply chain system and propelled the transformation of the supply chain system from passive production to proactive production by strengthening supply chain management centering on business needs and enhancing the responsiveness and elasticity of the supply chain.

### Latest trade fair orders and operational update

In terms of tag price, trade fair orders for LI-NING brand products (excluding China LI-NING and LI-NING YOUNG) from franchised distributors, which are for the fourth quarter of 2020, held in April 2020 registered a mid-single-digit growth on a year-on-year basis, the above trade fair orders data may be subject to adjustment depending on the financial impact on the distributors due to the COVID-19 pandemic.

In response to the rapid changes in retail environment, the Group continues to strengthen the flexibility and elasticity of supply chain, shorten the production cycle, and improve production efficiency, thereby increasing the contribution of replenishment orders in the Group's total sales, which will gradually reduce the direct correlation between trade fair results and actual reported results. In addition, due to the impact of the COVID-19 pandemic, the current retail environment is still unstable, and trade fair orders data is relatively volatile. In view of the above reasons, the Group will cease to report trade fair orders data starting from 2021 orders.

For the second quarter ended 30 June 2020, in respect of LI-NING point of sale ("POS") (excluding LI-NING YOUNG) which have been in operation since the beginning of the same quarter last year, the same-store-sales for the overall platform registered a mid-single-digit decrease on a year-on-year basis. In terms of channels, retail (direct operation) channel registered a high-teens decrease; wholesale (franchised distributors) channel registered a low-teens decrease; while the e-commerce virtual stores business registered a mid-twenties growth on a year-on-year basis.

For the second quarter ended 30 June 2020, the retail sell-through of LI-NING POS (excluding LI-NING YOUNG) for the overall platform decreased by mid-single-digit on a year-on-year basis. In terms of channels, offline channel (including retail and wholesale) registered a low-teens decrease with retail channel decreased by low-teens and wholesale channel decreased by high-single-digit, while the e-commerce virtual stores business registered a high-twenties growth.

As at 30 June 2020, the total number of LI-NING POS (excluding LI-NING YOUNG) in China amounted to 5,973, representing a net decrease of 252 POS since the end of the previous quarter and a net decrease of 476 POS since the beginning of this year. Among the net decrease of 476 POS, direct retail accounts for a net decrease of 53 POS, and wholesale accounts for a net decrease of 423 POS.

As at 30 June 2020, the total number of LI-NING YOUNG POS in China amounted to 1,010, representing a net decrease of 16 POS since the end of previous quarter and a net decrease of 91 POS since the beginning of this year.

## Management Discussion and Analysis (Continued)

### ***Continuing to upgrade product and channel efficiency with “Single Brand, Multi-categories, Diversified Channels” as the core strategy***

#### **Enhancing core competitiveness of products and the brand by capitalizing on professional and fashionable elements**

During the period, we stayed focus on our five core categories, namely basketball, running, training, badminton and sports casual. We inherited the brand’s DNA of sports and further built up professional product experience. Moreover, we scaled up the fashionable and cultural elements of our products, with a view to unleashing product value and deepening the competitive edges of our brand.

For professional products, with a strong focus on professional elements, we continued to strengthen the knowledge and research of sports science and consistently invested and dedicated our efforts in the exploration and application of new technologies and new materials. Emphasising on the complementary effect of our products and technology, we offered highly professional product experience for consumers, thereby enhancing LI-NING brand’s core competitiveness in the field of professional sports.

- The professional products of the running category are empowered by technology, while focusing on both running experience and product performance. Aiming to establish the matrix for world-class professional running shoes, we pushed forward the application of the self-developed “LI-NING 䨎” (李寧䨎) technology platform with lightweight and high resilience features, which created a revolutionary professional product experience. As for products, we focused on our core professional product lines, including “Boom” (飛電), “Pegasus” (天馬), “Furious Rider” (烈駿), “Wind Chaser LT” (追風LT) and “Rouge Rabbit” (赤兔), and continued to diversify our business layout in the field of professional running shoes to reinforce the professional image of LI-NING running among consumers.
- In terms of professional basketball products, we continued to develop the line-up of four core star IPs, namely “Sonic” (音速), “Yushuai” (馭帥), “Power” (空襲) and “Speed” (閃擊). Featuring enhanced features for competition use, the “Sonic VIII” (音速VIII) has been worn by many CBA players in highly intense competitions and its performance has been widely recognized by the professional players. For the “Yushuai XIII” (馭帥XIII) series, we applied the superior shock-relieving material of the “LI-NING 䨎” (李寧䨎) technology and launched limited colour editions, with a view to establishing the professional status and high-end image of our professional basketball products. Maintaining the focus on functions of apparels, we offered comprehensive basketball gear for both competition and training purposes. We also strived to continuously enhance players’ performance on the court by resolving actual demands, including sports comfort and protection, with technological functions.
- As for products of training category, we continued to focus on professional products and pursue innovation in terms of function technology. Enriching our product matrix, we continued to launch waterproof and windproof protective gears, while incorporating element of youth culture into our product style to create a more vibrant functional product. We refined sports segment by offering professional tights line with varying level of support for activities ranging from integrated fitness training to dancing and yoga, thus fulfilling the increasingly refined demand of consumers. We created an all-round product experience covering aspects from professional sports to healthy lifestyle, which placed emphasis on female fitness. To continue the communication with female consumers, we launched various products with moving storytelling targeting female consumers, such as “Pink Ribbon” (粉紅絲帶).

## Management Discussion and Analysis (Continued)

- We continued to push forward the evolution of the star series under the badminton category. In respect of rackets, the newly launched “Tectonic” (蓄力突襲) technology platform features an elastic frame structure, which not only increased the elasticity of the racket, but also reduced the vibration of racket face, thereby further stabilizing the strikes of players and sharpening their attacks. “Ambush 7” (突襲7) and “Ambush 7D” (突襲7D) are the first products to adopt the brand new technology platform and immediately garnered wide recognition from consumers since their release. In terms of footwear and apparel, we released a new generation of star IP series “Halberd” (戰戟), which employed the “LI-NING 䨻” (李寧䨻) technology to offer remarkable kick-off ability, enabling wearers to gather momentum for kick-off and hence improving their overall sports performance.

In respect of sports fashion, we continued to create the unique sports culture of our brand by diversifying our product image and pop culture attributes, so as to demonstrate more vitalized sports value with a younger image. We continued our cooperation with sports stars and fashion icons to expand brand influence. We also gained insight of the cultural and fashion trend, and explored the unique charisma of traditional culture, thereby developing a diversified sports culture system to consolidate and enhance our brand influence among young consumer groups.

- As the high-end product series of LI-NING basketball, the WADE series underwent gradual transformation and signed with NBA player D’Angelo Russell upon Wade’s retirement, signifying the heritage between veterans and rising stars. During the period, we launched “Way of Wade 8” (韋德之道8) and “Way of Wade ∞” (韋德之道∞), which are the best products under the WADE series and testimony to the series’ ceaseless pursuit and quest for higher goals. As the pillar of the WADE series, the “All City 8” (全城-VIII) also became the competition shoes of Russell, the newly signed player. In addition, leveraging on the good sales performance and market reputation of this product, we tapped into the huge market potential of teenager and female consumers.
- Regarding basketball culture, we continued to carry out segmentation of our product layout in order to enrich the diversified product style of the “Essence” (悟道) series and enhance product innovation. The “BADFIVE” series continued to focus on the style of street basketball in China and launched “Changsha City” (惟楚有材), a limited edition for Changsha under the city series, by delving into the features of local culture with consistent effort. We redefined street basketball gear through the new release of “BADFIVE” products. With the unconventional use of adorable Disney characters, these products embodied a brand-new street style, which, coupled with the Chinese tie dye print design, gained popularity among young consumers.
- For running culture, we strengthened the development of fashionable jogging and cultural product lines targeting the mass market. We paid close attention to the needs for jogging and fashion style, striving to cater to various daily life occasions of different consumers, while creating differentiated and customized products. We promoted the “Super Light 17th” (超輕17) classic series under the theme of “Let’s Go Light” (一起輕狂) to reinforce the transformation from function-driven product to public fashion product. In respect of running shoes with cultural elements, we continued to present professional running shoes in a fashionable way. The unique “Sports + Fashion” image of LI-NING running shoes has also been enhanced through continuous exposure of the star series, such as “Furious Rider ACE” (烈駿ACE) and “Arc ACE” (弧ACE), in fashion weeks.

## Management Discussion and Analysis (Continued)

- As for sports casual products, we continued to focus on promotions in different fashion sectors to convey cultural stories of the young generation via our products. Inspired by traditional Chinese festivals, we launched the new year series product titled "Fortune Comes Everyday" (日進斗金) to celebrate the Chinese New Year in a trendy context. Meanwhile, we launched the "Wave BOOT•Duanwu" (惟吾BOOT•端午) series which incorporated traditions of the Dragon Boat Festival such as dragon boat races and rice dumplings into its design, which has attracted attention of many shoes fans. With a view to capturing the female market with a younger and more fashionable image, we launched the cherry blossom edition products under "Titan" (盤古) series and China LI-NING series, all of which were highly praised by the market. Furthermore, we have broadened our international vision by launching "Titan-atmos" (盤古-atmos), the first crossover product with "atmos", an international top fashion chain store, which was inspired by and delicately represented the cultures of Beijing and Tokyo, two ancient cities.

### Exploring category personality and continuing to deploy diversified marketing resources

In order to further consolidate our diversified layout of marketing resources, we devoted ourselves to explore the characteristics of each category and comprehensively allocated our marketing resources in five major categories. Continuous exposure of our professional products leveraging sports stars and professional events as well as promotional efforts in tandem with hot topics have further scaled up our consumer groups. Besides, we drew attention of young consumer groups by continuously enriching our marketing resources with entertainment elements allocated to the sports casual category and making deployment for flexible and diversified crossover and digital marketing resources. Under the guidance of fashion opinion leaders, we have gained more recognition from mainstream consumers and enhanced our brand image and value.

- In terms of professional basketball, leveraging the CBA All-Star League as platform, we closely integrated the marketing resources of our brand with the basketball marketing ecosystem to drive product sales through cross-sector campaigns. During the outbreak of the COVID-19 pandemic, we launched an interactive activity based on the basketball shoes culture under the theme of "Expressing yourselves by playing basketball" (拿球說話). Complemented by themed video promotions, the activity has created synergistic marketing effect in multiple channels and maintained hot discussions about our brand, which has in turn facilitated the launch of new products under the "Sonic" (音速) series. Moreover, we have also adopted "All-Star" themed product packaging that is in line with the national fashion trends, which has enriched the storyline of and sensation brought by our professional products. Furthermore, we have launched various products under the basketball city series based on the city where C.J. McCollum, our signed NBA star, is currently playing, which highlighted the American basketball style and instilled fashionable elements into our professional products.
- As for basketball culture, we signed with D'Angelo Russell, a NBA All-Star point guard, for the WADE series. As a fashion icon from NBA, Russell will bring enormous sports fashion creativity to the Way of Wade series. Highlighted by Wade's retirement jersey, we launched the themed activity of "To Young DWade: Make Your Own Way" with a view to impressing the new generation consumers with Wade's attitude. We have also developed the "BADFIVE LAB" (反伍實驗室) as an innovative platform of "BADFIVE" series with an aim to sharing the most creative, attitude-laden and "unconventional" street culture with the consumers. In addition, we launched a special sales activity for "Changsha City" (惟楚有材), a limited edition product under the city series, in collaboration with "Wenheyou" (文和友), a renowned restaurant brand in Changsha, which has attracted a lot of local fashion icons to visit and hence boosted the sales of the products under this series.



## Management Discussion and Analysis (Continued)

- In terms of running and training, in response to the launch of “Super Light 17th” (超輕17), we put in an all-out effort in the promotions on Bilibili, Xiaohongshu (小紅書), Weibo, WeChat and other media platforms. Through exposures with running shoes bloggers and KOLs from various fields including fashion, entertainment, sports and photography, we have demonstrated some of the many possibilities of “Super Light 17th” (超輕17) and gained good impression and attention from more young consumers. Leveraging the launch of the new version of “No Boundaries II” (無界II), we held online cross-sector live streaming with celebrities and evaluated the influence and functional attributes of KOLs from vertical industries, enabling more fitness professionals to learn more about LI-NING training and “No Boundaries” (無界) series.
- In terms of badminton, in response to the call of the government, we launched the “Home Training for Physical Fitness, Benefiting both the Country and the Public” (居家訓練·強身健體·利國利民) activity during the outbreak of the COVID-19 pandemic leveraging various contracted collaborative resources. The champion team comprising Fu Haifeng (傅海峰), Xu Chen (徐晨), Zhao Yunlei (趙芸蕾), Zhang Ning (張寧), Wang Xin (汪鑫), Bao Chunlai (鮑春來), Chen Jin (陳金) was formed, and both the brand reputation and recognition of LI-NING badminton have been enhanced via short videos and live streaming on its Douyin (抖音) platform. Leveraging official We-Media platforms and the badminton stringer mini program, we adopted “Waiting for You” (等你) series as our theme to expand the fan base and increase brand exposure targeting the core badminton consumer groups, striving to transform the traffic to offline channels.
- We continued to keep abreast of fashion trends and hot social issues for our sports casual products, and carried out cross-sector collaboration with multiple themes and dimensions. We launched various products under “Master Mickey” (武林米笈), the Disney crossover series, adding some “worldly-wise” flavor to the cute character of Mickey Mouse. During the outbreak of the COVID-19 pandemic, we launched the “Ready” (時刻準備著) themed series to express greeting and a positive lifestyle with our products. Leveraging the resources advantages from signing with Hua Chenyu (華晨宇), we launched products replicating the fashion style of him that integrates modern aesthetic visions with classic aesthetic from the old times, bringing up great hope among the millennial generation towards the future. We also carried out cross-sector collaboration with “QQ Dance” (QQ炫舞), a classic game of Tencent, to explore the “New Retro-Futurism” (新復古未來主義). We joined hands with Xingtong (星瞳), the virtual idol of the game, to break dimensional walls and explore the unlimited possibilities arising from the integration of music, dance and sports casual.
- As for marketing campaigns with entertainment, we devoted more resources to the collaboration with variety shows and the marketing of online entertainment content during the first half of the year. Through the collaboration with artists and variety shows, we placed embedded advertisements in shows to ensure exposure of our products, at the same time reaching the fans base of the artists by taking advantage of the influence of the artists, thereby transforming the fans of these artists into fans of our brand and hence further building up our fans economy. We have selectively commenced in-depth collaboration with artists that match with our brand character to ensure multi-dimension exposure of our products from catalogues, personal fashions, variety shows and marketing events. We have also increased product exposure by directly exploring the relevant resources of Hunan Satellite TV. During the outbreak of the COVID-19 pandemic, we invited artists such as Ayanga (阿雲嘎), Cai Chengyu (蔡程昱) and Zhou Qi (周奇) to share their personal playlists and filmed a number of videos with them, which were used as major content for online promotion to arouse discussion.

## Management Discussion and Analysis (Continued)

### Continuing to focus on multi-channel development to optimize the structure of channels

During the first half of 2020, by continuing its focus on multi-channel strategy, the Company strengthened collaborations with quality retailers so as to propel the enhancement of the efficiency of retail channels and improve the quality of market coverage. The Company accelerated the promotion of diversified channels development. On the basis of developing conventional shopping streets, department stores and sports cities, the Company focused on making breakthroughs in channels with shopping malls and outlets as well as adjusting its channel expansion plan on a dynamic basis with a view to ensuring true efficiency and profitability of newly-opened stores. During the period, in the midst of the COVID-19 pandemic and based on the channel optimization strategy, the Company continued to actively accelerate the closure of loss-making and low-efficiency stores to optimize structure of channels and improve channel efficiency. During the COVID-19 pandemic, the Company maintained close communication with various large nationwide chain commercial real-estate groups under strategic partnership so as to develop an optimal rent waiver policy and optimize rental cost, at the same time strengthening the negotiation with quality business entities to plan the layout of big stores with high efficiency, with an aim to lay a foundation for channel recovery after the COVID-19 pandemic.

As at 30 June 2020, the number of conventional stores, flagship stores, China LI-NING stores, factory outlets and multi-brand stores under LI-NING brand (including LI-NING Core Brand and LI-NING YOUNG) amounted to 6,983, representing a net decrease of 567 POS as compared to 31 December 2019. The number of distributors was 62 (including sales channels of China LI-NING stores), representing a net decrease of 1 as compared to 31 December 2019. The number of POS breakdown as at 30 June 2020 is as follows:

LI-NING Brand	30 June 2020	31 December 2019	Change
Franchised	4,734	5,157	-8.2%
Directly-operated retail	1,239	1,292	-4.1%
LI-NING YOUNG	1,010	1,101	-8.3%
<b>Total</b>	<b>6,983</b>	<b>7,550</b>	<b>-7.5%</b>

#### Number of LI-NING Brand POS by geographical location

Regions	30 June 2020			31 December 2019			Change
	LI-NING Core Brand	LI-NING YOUNG	Total	LI-NING Core Brand	LI-NING YOUNG	Total	
Northern Region (Note 1)	3,056	563	3,619	3,226	727	3,953	-8.4%
Southern Region (Note 2)	2,247	411	2,658	2,448	336	2,784	-4.5%
Southern China Region (Note 3)	670	36	706	775	38	813	-13.2%
<b>Total</b>	<b>5,973</b>	<b>1,010</b>	<b>6,983</b>	<b>6,449</b>	<b>1,101</b>	<b>7,550</b>	<b>-7.5%</b>

## Management Discussion and Analysis (Continued)

### Notes:

1. The Northern region includes provinces, municipalities and autonomous regions covering Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Shandong, Henan, Heilongjiang, Jilin, Liaoning, Shaanxi, Ningxia, Qinghai, Gansu and Xinjiang;
2. The Southern region includes provinces, municipalities and autonomous regions covering Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Chongqing, Sichuan, Yunnan, Guizhou and Tibet;
3. The Southern China region includes provinces, autonomous regions and special administrative region covering Guangdong, Guangxi, Fujian, Hainan and Macao.

### Enhancing product and retail capability to facilitate the improvement of operation efficiency

During the first half of 2020, the Company continued to focus on the transformation of its product operation model and the improvement of its retail operation capability with a view to further promoting the enhancement of sales channels efficiency.

- Focusing on the enhancement of product operation management efficiency of single store. The Company further refined the classification of single store based on the brand development direction of promoting both professional sports attributes and fashionable elements, and established a standardized single store product management model as guidance for execution at different sales channels. We have also improved the functions of the single store order management tools so as to realize a single store order model that is consumer-oriented. We pushed ahead with the direct distribution of products to stores, and developed a store replenishment and allocation system based on demand forecast, thereby enhancing the operation efficiency of stores and accelerating the turnover of goods through the automatic management of our systems.
- Strengthening the management over product sales plan of single store. The Company has established a preliminary product sales plan management system based on single product and single store. The system formulated sales plans and strategies based on every single SKU; and product efficiency was managed based on color and size, which has expedited the decision-making process and effectively increased or decreased the number of orders, thereby enhancing the planning and operation efficiency of product. Moreover, we have established a rolling replenishment platform for stores with longer life cycles based on popular products. Through the demand forecast and flexibility of the supply chain, we have extended the continuous selling cycle, which shall lead to the increase of the total sales volume of popular products.
- The Company continued to refine the function of LI-NING's retail operation platform in order to realize a closed-loop tracking of the retail operation and execution of stores, which effectively facilitated the store operation and efficiency enhancement. We have explored the retail operation standard for big stores with high efficiency and accelerated the formulation and introduction of the strategy of big stores with high efficiency across China, at the same time optimizing the store operation standards and adjusting the product assortment and structure with a view to establishing an assortment and operation management model that embodies the sporty and trendy image of LI-NING brand.

## Management Discussion and Analysis (Continued)

- Establishing a new visual image for the stores. In response to the strategy of big stores with high efficiency, the Company continued to upgrade the visual image of stores by way of upgrading the types of props in stores and creating more spaces designed with specific geographical elements so as to enhance consumers' recognition. We promoted the core technology and functional experience of professional products by adopting high-tech materials and campaigns, and managed to enhance the shopping experience regarding fashionable lifestyle products by showcasing with fashion matching, fashion weeks and trendy story-packs. Furthermore, we further increased the use of electronic display in stores with close integration of products so as to highlight our brand tonality.
- Continuing the cultivation of retail talents. In order to reserve and cultivate outstanding retail talents for performance growth, the Company has established and refined the talent cultivation system, designed promotional path, mentoring process and contents with a focus on store-level positions, optimized offline course system as well as performance training evaluation system, and increased the use of on-site teaching. For the purpose of enhancing LI-NING's training and learning method and building an education-oriented retail organization, we continued to make efforts to improve the online learning platform and the diversity of retailer learning channels by setting up live streaming training channel on self-media platform. We also intensified our efforts in the building of our retail culture by means of corporate culture learning, sports activities, retail skills competition and others.

### Improving consumers' experience by exploring the omni-channel business

During the first half of 2020, the Company sustained its focus on consumer research and made further improvements on the way of reaching out to consumers, which continuously and effectively enhanced consumers' experience.

- Continuously enhancing interactions with consumers at stores. The Company interacted with consumers by way of store activities, pop-up stores and sales of limited-edition products, which has increased the number of new members and attracted the traffic to the stores. Meanwhile, we have increased consumers' exposure to our products by letting them to experience the props and setting up new promotion and display zone for individual product in stores. We also launched the promotion and sales of products at stores through enhanced interactions on online platforms such as WeChat, Weibo and Douyin (抖音), the introduction of interactive games, cross-over cooperation, and attractive gifts.
- Continuously pushing forward the establishment of digital stores and exploring new retail model. We set up independent visitors, heat map of customer flow, commodity touching assessment and other digital devices as well as back-end computing system at stores, giving us insights on consumers' portraits at stores, based on which we analyzed the behavior and demand of consumers as well as closely followed the performance of the individual product. We also commenced the establishment of a middle-end data platform for integrating information such as data in respect of retail, members and product operation. With the support of the big data, we managed to improve our efficiency and performance by enhancing the decision-makings in relation to optimization of product assortment, retail circulation layout, retail display method and sales services in stores.



## Management Discussion and Analysis (Continued)

- The Company has devoted greater effort in the planning of membership and omni-channel while accelerating the integration of e-commerce business. During the COVID-19 pandemic, we have initiated a promotional campaign of “Scan-to-Buy” by scanning QR codes at offline stores with an aim to drive customer traffic to the online platform leveraging our customer base of offline stores, hence expanding business coverage and exploring business opportunities. We have formulated the omni-channel business model with the combination of online live streaming and offline delivery of product with rational and prudent use of live streaming resources, at the same time continuing to improve the operation strategies to maintain brand competitiveness and profitability. In respect of membership, we have introduced refined operation strategies with a focus on customer segmentation, and enhanced consumption experience and members’ engagement with the application of “Scan-to-Buy” of omni-channel.

### Strengthening construction of logistics supporting capacity

In the first half of 2020, the Company has developed logistics system in response to the major strategic direction and business features of the Group, thus providing differentiated, refined and efficient logistics service support in line with the requirement of relevant business sectors for its principal business and each business division through the comprehensive application of logistic network resources and platform.

- Affected by the COVID-19 pandemic and coupled with the changes in the logistics market environment, the Company promptly deployed resources and logistics network and responded to the crisis in a timely and effective manner, at the same time striving for dominant storage and ancillary resources for the Group by actively exploring opportunities to support various service requirements arising from the special business environment, thereby enhancing both internal and external logistics service capabilities.
- During the period, the limitation of offline consumption has further promoted the rapid growth of OTO business. With the application of the logistics system, the Company has swiftly adjusted resources and management system to align with the new retail development actively. Warehouses are equipped with operation capacity for B2B and B2C models, which enabled a flexible and quick handling of the demand of orders. We continued to improve the online and offline integrated logistics service model and increased the coverage of the omni-channel, thereby enhancing channel inventory utilization whilst better catering to consumers’ demand, and thus created benefits for the Company.
- Meanwhile, we continued to focus on building and optimizing the precise, swift and efficient logistics operation system. The Company fully followed the instructions of the goods management team in all processes including forward and reverse logistics as well as deployment and turnover of goods, thereby achieving prompt response, flexible delivery and rapid turnover of goods. In addition, the Company strengthened the logistics support for operation of retail stores and formulated targeted logistics services and supporting plans in collaboration with front-line retail operation teams. In respect of logistics management, the Company focused on achieving digitalized management and analysis so as to develop highly efficient data processing and decision making capabilities.

## Management Discussion and Analysis (Continued)

### Strengthening the profitability of e-commerce business through enhancing product advantages

During the first half of 2020, given the impact of the COVID-19 pandemic on offline consumption, the e-commerce sector faced increasingly intense competition. Under such heavy pressure, the e-commerce of Li Ning Company still managed to maintain relatively strong resilience and high profitability, which has contributed positively to the Company's results.

During the period, we continued to develop the "COUNTERFLOW BY LI-NING" series on the e-commerce platform, an independent sports casual product line with a focus on cultural elements. Deep-rooted in traditional arts and culture, the series joined hands with Dunhuang Museum to thoroughly explore the beauty of the Silk Road and the scenery in Northern China beyond the Great Wall in the long course of history. Products were launched under the "Dunhuang • Exploration" (敦煌•拓) series to replicate the glorious national culture of ancient China.

Meanwhile, in line with the Group's allocation of major marketing resources, we have fostered diversified marketing layout on the e-commerce platform by making full use of the spokesperson for sports casual products – Hua Chenyu (華晨宇), through which we have tapped into various fan bases and further increased the traffic of online consumption. We have also analyzed the changes of current market trends to focus our investments in specific product categories, price ranges and targeted consumer groups, which has effectively enhanced the online sales performance of products such as sports apparel, and increased female consumers' interests in and interactions with our e-commerce platform.

Looking forward, the e-commerce of Li Ning Company will remain committed to facilitating the upgrade of product competitiveness and consumption experience and will pursue further breakthroughs in aspects such as private domain traffic, operation of product contents and online marketing campaigns. Leveraging the online and offline synergies, the e-commerce of Li Ning Company will continue to explore the omni-channel business and enhance its capability and timeliness of risk-handling so as to provide new momentum for the business growth of the Group on a continuous basis.

### Strengthen cost and efficiency management to optimize the "Demand-driven" (因需而動) supply chain system

During the first half of 2020, in order to align with the Company's development needs under its core strategies, we continued to intensify our efforts in resource consolidation along the footwear and apparel supply chain and further enhanced the flexibility and fast response capability of the supply chain system with a view to facilitating the realization of the "Demand-driven" (因需而動) dynamic business model and establishment of a precise, flexible and efficient supply chain management system.

- During the period, based on the business development strategy, the Company consolidated and evaluated its supply chain resources with an emphasis on customized and differentiated product demands. It also strengthened the synergistic cooperation with its suppliers in a bid to enhance its competitive advantages. The Company aligned its strategic needs and the characteristics of the suppliers with its synergistic resources plan, which has ensured efficient and precise allocation of its supply chain resources.

## Management Discussion and Analysis (Continued)

- The Company has established a quality management community with suppliers to regulate the production and quality management process and improve the working standards, so that it can control quality and risks at an earlier stage and maintain control throughout the production process, aiming to complete all production tasks with high quality and efficiency. Meanwhile, it continued to intensify its efforts in product innovation and research and development, at the same time established cooperation with quality suppliers with greater emphasis on the results of innovation and research and development, hence enhancing the productivity of the supply chain through innovative technology.
- In respect of cost management, the Company continued to implement stringent cost planning and practiced the concept of cost control and management on all areas ranging from design, development to various production stages with a view to driving optimization and upgrade of cost structure with concerted efforts. Meanwhile, the Company continued to tighten the requirements on labour, occupational health and environmental protection to ensure sustainable development.
- To ensure rapid growth of new businesses, based on diversified business development needs and with an aim to enhance efficiency and improve product competitiveness, the Company made optimized allocation of supplier resources in the industry to improve layout of supply chain resources and network. Meanwhile, the Company continued to work diligently on the establishment of its own supply chain system and remained committed to gradually instilling the core industrial capabilities into LI-NING's system over time, which has hence strengthened its own supply chain management and application of technological research and development knowledge, and further promoted the establishment of a precise and swift supply chain system.

### ***New Business***

#### **LI-NING YOUNG**

During the first half of 2020, based on the vision and the strategy of the Group, LI-NING YOUNG further refined the position and planning of kidswear products, as well as streamlined and integrated product structure. Focusing on the clothing needs of daily life and sports occasions for kids aged 3-6 and children aged 7-12, we have laid a solid foundation for the long-term development of kidswear business by leveraging the advantages of LI-NING brand.

- We integrated and sorted the existing product lines with an aim to establish a product structure with a definite hierarchy and clear positioning. Based on the clothing needs of daily life for children of different age groups in the daily lives, the Group offered quality kidswear products oriented with sports fashion and focusing on categories and products for sports lifestyle and cultural lifestyle as well as taking into account the features and clothing needs for children of different age groups.
- We continued to deploy and optimize the supply chain resources and improve the supply chain system exclusively for kidswear business. By managing and controlling the development cost and enhancing product efficiency, we consolidated our production processes and resources advantages to ensure product quality, optimize production procedures, strengthen the responsiveness and elasticity of the supply chain system and facilitate efficiency enhancement.

## Management Discussion and Analysis (Continued)

- We accelerated channel reform and optimization and further deployed the shopping mall and clearance channels to establish a diversified channel system, and adjusted the strategy for channel development based on the market demand at different levels. In line with the Company's omni-channel strategy, we actively expanded new retail channels and explored new sales channels and business opportunities in response to the changing external environment. With an effort to enrich consumer experience, we developed and designed brand-new kidswear store image with a view to creating a shopping atmosphere combining sports with fashionable styles.
- We continued to optimize the digital marketing matrix and developed a marketing resource system exclusively for LI-NING YOUNG. We also timely promote information on brand updates and newly-marketed brands by leveraging existing promotion channels such as KOLs, top-notch athletes, celebrities and working partners, with a view to capitalizing on the effect of social group fission to gain access to more consumers, maintain interaction with consumers and enhance user stickiness so as to expand the influence of LI-NING YOUNG.

As of 30 June 2020, LI-NING YOUNG business covered 29 provinces, municipalities and autonomous regions with a total of 1,010 stores. We will continue to reinforce the foundation of kidswear business and devote great efforts to explore market demands and carry out product categorization with products as the focus. Consistent efforts will be devoted in channel expansion, retail operations and supply chain resources. Looking forward, we believe that, as both product and brand competitiveness of kidswear business continue to grow, this business segment has promising potential in terms of driving the overall growth of the Group.

### **Human Resources**

In the first half of 2020, based on the vision and long-term strategic goals of the Company, the human resources department continued to optimize the organisation, incentives, talent management and corporate cultural system.

- Regarding organisational development, the Company adjusted the sales and supply chain system, consolidated its organisation structure and strengthened the sales headquarters as well as retail functions, so as to boost the efficiency of sales and retail operation. Independent research and development platform was established to propel product innovation.
- In terms of talent management, the Company continuously upgraded its capability of managing the talent supply chain, while actively exploring and recruiting talents to drive business transformation. The Company also enhanced its retail talent cultivation system so as to nurture teams of talent and build teams comprising hand-picked elites.
- In terms of performance management, the Company incorporated objectives such as organisational reform, talent development and team cooperation into its business evaluation system, with a view to pushing forward the reform and development of its organisational capacity.
- Regarding culture and staff relationship, the Company improved its culture management system with continuous efforts, aiming to further develop the core values of the Company, improve staff satisfaction and engagement and increase its staff's sense of honor and mission. Meanwhile, the Company created a trustworthy, self-disciplinary, open, transparent and fair corporate environment.



## Management Discussion and Analysis (Continued)

Looking ahead, the Company will endeavour to explore and consolidate the market in Mainland China, in a bid to become the most favourite sports brand of Chinese consumers. Pursuing its medium- and long-term goals, the Company will optimize its organisational efficiency and accelerate the development of talent teams by stepping up its effort in nurturing retail talents and formulating new evaluation and incentive mechanisms. The Company will effectively manage the investments in human resources, while continuing to strengthen our organisational capacity and employee competencies, which underpin the business growth of the Company.

As at 30 June 2020, the Group had 3,744 employees (31 December 2019: 3,783 employees), among which 3,573 employees were at the Group's headquarters and retail subsidiaries (31 December 2019: 3,610 employees), and 171 employees were at other subsidiaries (31 December 2019: 173 employees).

### Outlook

2020 marks the 30th anniversary of the establishment of LI-NING brand. Adhering to the strategic direction of "Single Brand, Multi-categories, Diversified Channels", we will strengthen the performance of the core business and optimize LI-NING's experience value in full swing to further enhance our competitiveness of both products and the brand, hence achieving a stable and sustainable growth of the Company's business:

- In respect of products, we will insist on focusing on product functions and technological innovation, and continue to enhance our capability of analyzing fashion trends and markets, striving to reach target consumers precisely, enhance consumers' product experience and deepen our brand influence;
- In respect of channel development, we will continue to focus on the efficiency of our sales channels and the expansion of big stores with high efficiency, as well as reinforcing the synergistic coordination of the omni-channel by consolidating layout of sales channels and clarifying the characteristics of different channels, with a view to maximizing the efficiency of our sales channels;
- In respect of retail operation and supply chain, we will continue to enhance the standards of store operation on the basis of both product and consumption experience and improve store management ability, as well as strengthen the online and offline integrated operation mode. Meanwhile, we will step up our efforts in establishing the supply chain management system to continue enhancing the capability in terms of our own supply chain management and research and development regarding application of technology and knowledge;
- In respect of marketing, we will continue to improve our diversified marketing approaches to expand the consumer coverage. With the combination of the latest trends and topics, we will make full use of marketing resources so as to increase the popularity of our brand, enhance customer loyalty and enhance consumers' recognition of the brand;
- In respect of new business, enhancing single store profitability will remain as our major development goal. We will make reasonable and prudent use of resources to explore business opportunities and market potential, in order to foster new opportunities for the Company's profit growth in the long run.

## Management Discussion and Analysis (Continued)

With the economic development and steady improvement of national living standards, sports will become one of the key drivers for national consumption. Benefitting from the increasing health awareness of the general public, the sports industry will certainly witness rapid growth and constantly embrace changes in tandem with its development. In recent years, the sports market is gradually shifting towards a more diversified, refined and commercialized direction. Amid the changes of the objective environment, the innate sports DNA of our brand have empowered us with the faith to conquer challenges and the determination to achieve breakthroughs. During the thirty years of development with an in-depth focus on the professional sports sector, we always adhere to the principle of focusing on products with an emphasis on the professional attributes and keep abreast of the fashion trend so as to reach more young consumers, continuously improve product performance and brand image and hence enhance LI-NING's experience value. Looking forward, we will continue to achieve steady growth of our results by enhancing our business capability. We will also devote main resources into gaining sports knowledge, placing emphasis on technological research and development as well as pop culture analysis with a view to bringing our business to another new height.

During the first half of 2020, the outbreak of COVID-19 has affected people's livelihood and market order. Against such backdrop, the operating condition and financial performance of the Group were under pressure to a certain extent. Leveraging our own resources and advantages, we confronted these challenges by promptly adjusting our strategies and making swift responses in a bid to minimize the impact of the COVID-19 pandemic and get readily prepared for market rebound. We believe that this COVID-19 pandemic is a challenge which will not only accelerate industry consolidation, but also propel the enterprise to achieve continuous breakthroughs and carry out reforms and upgrades. With increasing concerns about physical exercise and awareness of healthy lifestyle, we remain fully confident about the Group's development in the future.





# STANDING OUT





# Condensed Consolidated Interim Financial Information

## Interim condensed consolidated balance sheet

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	957,026	1,038,588
Right-of-use assets	8	888,547	981,422
Investment properties		117,083	119,278
Land use rights	9	169,524	72,233
Intangible assets	10	202,610	193,261
Deferred income tax assets		530,418	431,715
Other assets	13	–	83
Investments accounted for using the equity method	11	1,090,412	1,056,866
Other receivables	15	116,479	114,712
<b>Total non-current assets</b>		<b>4,072,099</b>	<b>4,008,158</b>
<b>Current assets</b>			
Inventories	12	1,492,683	1,407,257
Other assets – current portion	13	495,563	443,406
Trade receivables	14	789,014	686,606
Other receivables – current portion	15	39,306	39,476
Restricted bank deposits		1,144	1,126
Financial assets at fair value through other comprehensive income		200,000	–
Cash and cash equivalents		5,560,606	5,961,445
<b>Total current assets</b>		<b>8,578,316</b>	<b>8,539,316</b>
<b>Total assets</b>		<b>12,650,415</b>	<b>12,547,474</b>

# Condensed Consolidated Interim Financial Information (Continued)

## Interim condensed consolidated balance sheet (Continued)

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity holders of the Company</b>			
Ordinary shares	16	226,943	214,300
Share premium	16	3,935,412	3,547,682
Shares held for Restricted Share Award Scheme	16	(170,037)	(276,664)
Other reserves	17	806,065	1,153,645
Retained earnings	17	2,788,126	2,482,676
		7,586,509	7,121,639
<b>Non-controlling interests in equity</b>		2,554	2,554
<b>Total equity</b>		7,589,063	7,124,193
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
License fees payable	20	29,040	24,581
Derivative financial instruments		19,752	25,806
Lease liabilities		508,488	557,451
Deferred income tax liabilities		37,870	45,002
Deferred income	21	53,416	53,821
<b>Total non-current liabilities</b>		648,566	706,661
<b>Current liabilities</b>			
Trade payables	18	1,342,850	1,348,206
Contract liabilities		224,638	293,926
Lease liabilities – current portion		350,309	336,870
Other payables and accruals	19	2,177,501	2,173,658
License fees payable – current portion	20	36,172	31,349
Current income tax liabilities		281,316	530,635
Derivative financial instruments – current portion		–	1,976
<b>Total current liabilities</b>		4,412,786	4,716,620
<b>Total liabilities</b>		5,061,352	5,423,281
<b>Total equity and liabilities</b>		12,650,415	12,547,474

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Financial Information (Continued)

### Interim condensed consolidated income statement

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Revenue	6	6,180,935	6,254,730
Cost of sales	22	(3,124,144)	(3,146,772)
<b>Gross profit</b>		<b>3,056,791</b>	<b>3,107,958</b>
Distribution expenses	22	(1,948,689)	(2,023,392)
Administrative expenses	22	(346,276)	(450,913)
(Provision for)/reversal of impairment losses on financial assets – net		(24,420)	103
Other income and other gains – net	23	160,502	44,306
<b>Operating profit</b>		<b>897,908</b>	<b>678,062</b>
Finance income	24	19,394	18,202
Finance expenses	24	(31,888)	(26,441)
Finance expenses – net	24	(12,494)	(8,239)
Share of profit of investments accounted for using the equity method	11	21,767	310,479
<b>Profit before income tax</b>		<b>907,181</b>	<b>980,302</b>
Income tax expense	25	(223,910)	(185,303)
<b>Profit for the period</b>		<b>683,271</b>	<b>794,999</b>
<b>Attributable to:</b>			
Equity holders of the Company		683,271	794,999
Non-controlling interests		–	–
		<b>683,271</b>	<b>794,999</b>
<b>Earnings per share for profit attributable to equity holders of the Company for the period (expressed in RMB cents per share)</b>			
Basic earnings per share	26	27.98	32.88
Diluted earnings per share	26	27.30	32.08

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Financial Information (Continued)

### Interim condensed consolidated statement of comprehensive income

	Note	Unaudited	
		Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Profit for the period		683,271	794,999
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences		2,737	528
<b>Total comprehensive income for the period</b>		<b>686,008</b>	<b>795,527</b>
Attributable to:			
Equity holders of the Company		686,008	795,527
Non-controlling interests		–	–
<b>Total comprehensive income for the period</b>		<b>686,008</b>	<b>795,527</b>

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Financial Information (Continued)

### Interim condensed consolidated statement of changes in equity

	Unaudited							
	Ordinary shares RMB'000 (Note 16)	Share premium RMB'000 (Note 16)	Shares held for Restricted Share Award Scheme RMB'000 (Note 16)	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000 (Note 17)	Subtotal RMB'000	Non- controlling interests in equity RMB'000	Total equity RMB'000
As at 1 January 2020	214,300	3,547,682	(276,664)	1,153,645	2,482,676	7,121,639	2,554	7,124,193
Total comprehensive income for the period	-	-	-	2,737	683,271	686,008	-	686,008
Transactions with owners:								
Net proceeds from share issuance pursuant to share option schemes	1,858	103,317	-	-	-	105,175	-	105,175
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	-	51,508	-	51,508	-	51,508
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	(10,499)	-	10,499	-	-	-	-
Shares vested under Restricted Share Award Scheme	-	-	106,627	(106,627)	-	-	-	-
Shares converted from convertible securities	10,785	294,912	-	(305,697)	-	-	-	-
Dividends (Note 27)	-	-	-	-	(377,821)	(377,821)	-	(377,821)
As at 30 June 2020	226,943	3,935,412	(170,037)	806,065	2,788,126	7,586,509	2,554	7,589,063



## Condensed Consolidated Interim Financial Information (Continued)

### Interim condensed consolidated statement of changes in equity (Continued)

	Unaudited							
	Ordinary shares RMB'000 (Note 16)	Share premium RMB'000 (Note 16)	Shares held for Restricted Share Award Scheme RMB'000 (Note 16)	Other reserves RMB'000 (Note 17)	Retained earnings RMB'000 (Note 17)	Subtotal RMB'000	Non- controlling interests in equity RMB'000	Total equity RMB'000
<b>As at 1 January 2019</b>	204,435	3,249,389	(168,809)	1,314,569	1,217,456	5,817,040	2,550	5,819,590
Total comprehensive income for the period	–	–	–	528	794,999	795,527	–	795,527
<i>Transactions with owners:</i>								
Net proceeds from share issuance pursuant to share option schemes	280	12,845	–	–	–	13,125	–	13,125
Value of services provided under share option schemes and Restricted Share Award Scheme	–	–	–	49,091	–	49,091	–	49,091
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	(7,853)	–	7,853	–	–	–	–
Shares vested under Restricted Share Award Scheme	–	–	26,842	(26,842)	–	–	–	–
Shares converted from convertible securities	9,618	263,008	–	(272,626)	–	–	–	–
Dividends (Note 27)	–	–	–	–	(214,695)	(214,695)	–	(214,695)
<b>As at 30 June 2019</b>	214,333	3,517,389	(141,967)	1,072,573	1,797,760	6,460,088	2,550	6,462,638

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## Condensed Consolidated Interim Financial Information (Continued)

### Interim condensed consolidated statement of cash flows

	Note	Unaudited	
		Six months ended 30 June 2020	2019
		RMB'000	RMB'000
<b>Cash flows from operating activities:</b>			
Cash generated from operations		1,058,050	1,429,659
Income tax paid		(579,064)	(63,500)
<b>Net cash generated from operating activities</b>		<b>478,986</b>	<b>1,366,159</b>
<b>Cash flows from investing activities:</b>			
– payments for investments in a joint venture and an associate		(19,581)	–
– purchases of property, plant and equipment		(205,973)	(224,667)
– purchases of intangible assets		(17,494)	(12,171)
– purchases of land use rights		(98,713)	–
– proceeds on disposal of property, plant and equipment		1,715	1,090
– purchases of wealth management products		(4,944,000)	(2,573,000)
– redemption of the principal amounts of wealth management products		4,944,000	2,573,000
– interest received from wealth management products	23	48,460	29,553
– interest received from bank deposits	24	17,407	15,139
– loans granted to a joint venture		(5,000)	–
– payments for financial assets at fair value through other comprehensive income		(200,000)	–
<b>Net cash used in investing activities</b>		<b>(479,179)</b>	<b>(191,056)</b>
<b>Cash flows from financing activities:</b>			
– dividends paid		(377,821)	–
– proceeds from issuance of ordinary shares	16	105,175	13,125
– payment of lease liabilities		(133,959)	(136,561)
<b>Net cash used in financing activities</b>		<b>(406,605)</b>	<b>(123,436)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(406,798)</b>	<b>1,051,667</b>
Cash and cash equivalents at beginning of period		5,961,445	3,671,542
Exchange gains on cash and cash equivalents		5,959	1,595
<b>Cash and cash equivalents at end of period</b>		<b>5,560,606</b>	<b>4,724,804</b>

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information

### 1. General information

Li Ning Company Limited (the "Company") and its subsidiaries (together, the "Group") are principally engaged in brand development, design, manufacture, sale and distribution of sport-related footwear, apparel, equipment and accessories in the People's Republic of China (the "PRC").

The Company was incorporated on 26 February 2004 in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated interim financial information is presented in Renminbi ("RMB"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors (the "Board") on 13 August 2020.

This condensed consolidated interim financial information has not been audited.

### 2. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

### 3. Accounting policies

The accounting policies applied to the preparation of this condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31 December 2019, except for: (1) the estimation of income tax using the tax rate that would be applicable to expected total annual earnings; (2) the adoption of amendments to IFRSs which become effective for the current reporting period; and (3) the early adoption of amendment to IFRS 16 on COVID-19-Related Rent Concessions for the current reporting period.

#### (a) *New and amended standards adopted by the Group*

The Group has applied the following amendments to standards which become applicable for the current reporting period.

Amendments to IAS 1 and IAS 8

Amendments to IFRS 3

Amendments to IFRS 7 and IFRS 9

*Definition of Material*

*Definition of a Business*

*Interest Rate Benchmark Reform*

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 3. Accounting policies (Continued)

#### (a) New and amended standards adopted by the Group (Continued)

The Group also elected to adopt the following amendments early:

Amendment to IFRS 16

*COVID-19-Related Rent Concessions*

Except for amendment to IFRS 16 on COVID-19-Related Rent Concessions, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Amendment to IFRS 16 on COVID-19-Related Rent Concessions provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

Amendment to IFRS 16 on COVID-19-Related Rent Concessions is mandatory for annual reporting periods beginning on or after 1 June 2020. The Group has elected to early adopt amendment to IFRS 16 on COVID-19-Related Rent Concessions retrospectively from 1 January 2020 as permitted by this amendment.

The Group has applied the practical expedient to all rent concessions that meet the above conditions in respect of lease arrangements for which lease liabilities are recognised. During the six months ended 30 June 2020, rent concessions totalling RMB21,724,000 have been recognised in profit or loss as negative variable lease payments with a corresponding adjustment to the lease liabilities. There is no impact on the opening balance of equity at 1 January 2020.

# Condensed Consolidated Interim Financial Information (Continued)

## ***Notes to Condensed Consolidated Interim Financial Information*** (Continued)

### **4. Estimates**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

### **5. Financial risk management**

#### ***5.1 Financial risk factors***

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow/fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management department since year end or in any risk management policies.

#### ***5.2 Liquidity risk***

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.



## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 5. Financial risk management (Continued)

##### 5.3 Fair value estimation

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2020 and 31 December 2019 on a recurring basis:

At 30 June 2020	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income				
Bank deposits with the maturity over three months	–	–	200,000	200,000
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	19,752	19,752
<b>At 31 December 2019</b>	<b>Level 1 RMB'000</b>	<b>Level 2 RMB'000</b>	<b>Level 3 RMB'000</b>	<b>Total RMB'000</b>
<b>Financial liabilities</b>				
Derivative financial instruments	–	–	27,782	27,782

There were no transfers between each levels for recurring fair value measurements during the period.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on Group specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 5. Financial risk management (Continued)

#### 5.3 Fair value estimation (Continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include the binominal model and discounted cash flow analysis.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2020:

	Fixed term deposits RMB'000	Wealth management products RMB'000	Derivative financial instruments RMB'000	Total RMB'000
Opening balance as at 31 December 2019	–	–	(27,782)	(27,782)
Additions	200,000	4,944,000	–	5,144,000
Settlements	–	(4,992,460)	7,801	(4,984,659)
Changes in fair value	–	48,460	229	48,689
<b>Closing balance as at 30 June 2020</b>	<b>200,000</b>	<b>–</b>	<b>(19,752)</b>	<b>180,248</b>
Changes in unrealised gains or losses for the period included in profit or loss for assets or liabilities as at the end of the six months ended 30 June 2020	–	–	229	229

The fair value assessment methods and related key assumptions and judgements adopted by the Group's management is as follow:

- binomial model: volatility rate, risk-free rate and dividend yield;
- discounted cash flow method: expected rate of return, discount rates and expected future cash flows.

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 6. Segment information and revenue

The management of the Company ("Management") is the Group's chief operating decision-maker. Management reviews the Group's internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The segment information presented by brand perspective has ceased as the Group was principally engaged in a single line of business of sporting goods. Management reviewed the performance of the Group as a whole, thus there was only one reportable segment and no segment information was presented.

Revenue breakdown by product category is as follows:

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Footwear	2,924,956	2,921,728
Apparel	2,941,172	3,060,044
Equipment and accessories	314,807	272,958
<b>Total</b>	<b>6,180,935</b>	<b>6,254,730</b>

#### Geographical information of revenue

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
The PRC (including the Hong Kong Special Administrative Region and the Macau Special Administrative Region)	6,112,666	6,157,231
Other regions	68,269	97,499
<b>Total</b>	<b>6,180,935</b>	<b>6,254,730</b>

Revenue by geographical location is determined on the basis of destination of shipment/delivery.

The Group has a large number of customers. For the six months ended 30 June 2020 and 2019, no revenue derived from transactions with a single external customer represented 10% or more of the Group's total revenue.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 7. Property, plant and equipment

	Unaudited						
	Buildings RMB'000	Leasehold improvement RMB'000	Mould RMB'000	Machinery RMB'000	Office equipment and motor vehicles	Construction- in-progress RMB'000	Total RMB'000
					RMB'000		
<b>Six months ended 30 June 2020</b>							
As at 1 January 2020	326,865	549,678	59,841	49,822	52,116	266	1,038,588
Additions	–	171,681	143	2,395	4,133	1,426	179,778
Transfers	–	–	–	267	–	(267)	–
Disposals	–	(9,315)	–	(639)	(690)	–	(10,644)
Depreciation charge	(7,623)	(209,757)	(19,470)	(5,887)	(7,959)	–	(250,696)
<b>As at 30 June 2020</b>	<b>319,242</b>	<b>502,287</b>	<b>40,514</b>	<b>45,958</b>	<b>47,600</b>	<b>1,425</b>	<b>957,026</b>
<b>Six months ended 30 June 2019</b>							
As at 1 January 2019	345,733	349,333	49,335	39,501	46,055	128	830,085
Additions	–	185,200	12,890	11,597	10,025	8,057	227,769
Transfers	254	–	–	–	–	(254)	–
Disposals	–	(23,089)	–	(651)	(1,090)	–	(24,830)
Depreciation charge	(7,877)	(151,882)	(17,659)	(5,395)	(7,016)	–	(189,829)
<b>As at 30 June 2019</b>	<b>338,110</b>	<b>359,562</b>	<b>44,566</b>	<b>45,052</b>	<b>47,974</b>	<b>7,931</b>	<b>843,195</b>

Depreciation expenses of RMB22,021,000 (30 June 2019: RMB21,484,000) has been charged to cost of sales, RMB219,789,000 (30 June 2019: RMB162,077,000) to distribution expenses and RMB8,886,000 (30 June 2019: RMB6,268,000) to administrative expenses.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 8. Leases

This note provides information for leases where the Group is a lessee.

##### (i) Amounts recognised in the condensed consolidated balance sheet

The condensed consolidated balance sheet shows the following amounts relating to leases:

Right-of-use assets	Unaudited Properties RMB'000
Six months ended 30 June 2020	
As at 1 January 2020	981,422
Additions	174,707
Disposal	(50,022)
Depreciation charge	(217,560)
<b>As at 30 June 2020</b>	<b>888,547</b>
Six months ended 30 June 2019	
As at 1 January 2019	757,762
Additions	233,306
Disposal	(34,000)
Depreciation charge	(152,580)
<b>As at 30 June 2019</b>	<b>804,488</b>



## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 8. Leases (Continued)

##### (ii) Amounts recognised in the condensed consolidated income statement

The condensed consolidated income statement shows the following amounts relating to leases:

	Note	Unaudited Six months ended 30 June	
		2020	2019
		RMB'000	RMB'000
Depreciation on right-of-use assets	22	217,560	152,580
Amortisation of discount – lease liabilities (included in finance expenses)	24	25,506	19,833
Expense relating to short-term leases (included in distribution expenses and administrative expenses)	22	60,314	128,941
Expense relating to variable lease payments not included in lease liabilities (included in distribution expenses)	22	130,647	189,852

The total cash outflow for leases for the six months ended 30 June 2020 was RMB391,760,000.

#### 9. Land use rights

	Unaudited RMB'000
Six months ended 30 June 2020	
As at 1 January 2020	72,233
Additions	98,713
Amortisation charge	(1,422)
<b>As at 30 June 2020</b>	<b>169,524</b>
Six months ended 30 June 2019	
As at 1 January 2019	74,092
Amortisation charge	(930)
<b>As at 30 June 2019</b>	<b>73,162</b>

All the Group's land use rights are located in the PRC and are held under leases for periods varying from 20 to 50 years.

Amortisation of RMB1,422,000 (30 June 2019: RMB930,000) has been charged to administrative expenses.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 10. Intangible assets

	Unaudited					
	Goodwill RMB'000	Trademarks and patents RMB'000	Computer software RMB'000	License rights RMB'000	Customer relationships & Non- compete agreements RMB'000	Total RMB'000
<b>Six months ended 30 June 2020</b>						
As at 1 January 2020	103,080	11,018	61,272	17,891	–	193,261
Additions	–	128	3,505	24,000	–	27,633
Amortisation charge	–	(684)	(10,109)	(7,491)	–	(18,284)
<b>As at 30 June 2020</b>	<b>103,080</b>	<b>10,462</b>	<b>54,668</b>	<b>34,400</b>	<b>–</b>	<b>202,610</b>
<b>Six months ended 30 June 2019</b>						
As at 1 January 2019	139,474	11,072	49,501	32,518	1,356	233,921
Additions	–	820	3,892	–	–	4,712
Amortisation charge	–	(701)	(10,350)	(8,350)	(1,356)	(20,757)
Impairment charge (a)	(36,394)	–	–	–	–	(36,394)
<b>As at 30 June 2019</b>	<b>103,080</b>	<b>11,191</b>	<b>43,043</b>	<b>24,168</b>	<b>–</b>	<b>181,482</b>

Amortisation of RMB7,491,000 (30 June 2019: RMB8,350,000) has been charged to distribution expenses and RMB10,793,000 (30 June 2019: RMB12,407,000) to administrative expenses.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 10. Intangible assets (Continued)

##### (a) Goodwill impairment

As at 30 June 2020, the carrying value of goodwill amounted to RMB103,080,000, including goodwill of RMB72,387,000 arising from the acquisition of the Kason brand in 2009 and goodwill of RMB30,693,000 arising from the acquisition of the business of certain distributors of the Li Ning brand in 2014.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. The recoverable amounts for the CGUs have been determined based on values-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Management. The weighted average revenue growth rate used beyond the fifth year for certain CGUs of the Li Ning brand and the CGUs in relation to the Kason brand are 3% and 0% per annum respectively. The growth rates applied do not exceed the long-term average growth rate for the business in which the CGUs operate. The pre-tax discount rates used for certain CGUs of the Li Ning brand range from 14.0% to 14.7% and the pre-tax discount rate used for the CGUs in relation to the Kason brand is 14.8%, which reflect specific risks relating to the respective CGUs.

As to the goodwill allocated to certain CGUs of the Li Ning Brand, Management has recalculated the recoverable amount of these CGUs as at 30 June 2020, which exceed their carrying values and therefore no impairment provision is made.

As to the goodwill allocated to the CGUs in relation to the Kason brand, given there was no indicators for impairment of these CGUs, Management has not updated the impairment calculations as at 30 June 2020.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 11. Investments accounted for using the equity method

The amounts recognised in the condensed consolidated balance sheet are as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Associates	976,567	939,697
Joint ventures	113,845	117,169
	<b>1,090,412</b>	<b>1,056,866</b>

Share of profit/(loss) recognised in the condensed consolidated income statement are as follows:

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Associates	36,870	298,627
Joint ventures	(15,103)	11,852
	<b>21,767</b>	<b>310,479</b>

Except the investment in Shanghai Double Happiness Co., Ltd. ("Double Happiness"), an associate of the Group, none of the investments in associates or joint ventures is material to the Group. During the six months ended 30 June 2020 and 2019, reconciliation of the net assets of Double Happiness to the carrying amount of the Group's investment is as follows:

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Opening net assets as at 1 January	1,473,847	888,520
Profit for the period	77,341	629,604
Non-controlling interests	(1,095)	(916)
Dividends paid	–	–
Net assets of Double Happiness as at 30 June	<b>1,550,093</b>	<b>1,517,208</b>
Interest in an associate (47.5%)	736,294	720,673
Goodwill	216,882	216,882
Carrying value as at 30 June	<b>953,176</b>	<b>937,555</b>



## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 12. Inventories

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Raw materials	8,441	7,087
Work in progress	9,451	5,930
Finished goods	1,663,397	1,526,927
	1,681,289	1,539,944
Less: provision for write-down of inventories to net realisable value	(188,606)	(132,687)
	1,492,683	1,407,257

The cost of inventories recognised as expenses and included in cost of sales amounted to RMB3,026,834,000 for the six months ended 30 June 2020 (30 June 2019: RMB3,058,230,000). Inventory provision and the amount of reversal have been included in cost of sales in the interim condensed consolidated income statement for the six months ended 30 June 2020 and 2019.

#### 13. Other assets

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Other assets in relation to refunds	307,272	299,083
Prepayment for advertising expenses	50,383	24,429
Prepaid rentals and other deposits	47,469	37,516
Advances to suppliers	32,714	17,011
Others	57,725	65,450
	495,563	443,489
Less: non-current portion	–	(83)
Current portion	495,563	443,406

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 14. Trade receivables

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Accounts receivable	1,072,620	944,799
Less: allowance for impairment of trade receivables	(283,606)	(258,193)
	<b>789,014</b>	<b>686,606</b>

Customers are normally granted credit terms within 90 days. As at 30 June 2020 and 31 December 2019, ageing analysis of trade receivables based on invoice date are as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0 – 30 days	536,226	431,286
31 – 60 days	153,146	211,047
61 – 90 days	97,095	40,096
91 – 180 days	50,913	41,497
Over 180 days	235,240	220,873
	<b>1,072,620</b>	<b>944,799</b>

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

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
Opening balance	258,193	284,393
Provision for impairment allowance of trade receivables	25,976	230
Trade receivables written off during the period as uncollectible and exchange rate impact	(563)	(46)
Closing balance	<b>283,606</b>	<b>284,577</b>

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 15. Other receivables

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Deposits	138,553	138,290
Loans to a joint venture (Note 29)	5,167	–
Staff advances and other payments for employees	708	566
Others	19,137	24,454
Less: loss allowance for other receivables	(7,780)	(9,122)
	155,785	154,188
Less: non-current portion	(116,479)	(114,712)
Current portion	39,306	39,476

Other receivables are measured at amortised cost and do not contain impaired assets. Non-current portion mainly comprises rental deposits.

The maximum exposure to credit risk at the balance sheet date is the carrying value of each class of other receivables mentioned above. The Group does not hold any collateral as security.

#### 16. Ordinary shares, share premium and shares held for Restricted Share Award Scheme

	Number of shares (Thousands)	Approximate amount HK\$'000
Authorised at HK\$0.10 each		
As at 30 June 2020 and 31 December 2019	10,000,000	1,000,000

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 16. Ordinary shares, share premium and shares held for Restricted Share Award Scheme (Continued)

##### Issued and fully paid

	Unaudited				
	Number of share of HK\$0.10 each (Thousands)	Ordinary shares RMB'000	Share premium RMB'000	Shares held for Restricted Share Award Scheme RMB'000	Total RMB'000
<b>As at 1 January 2020</b>	2,289,659	214,300	3,547,682	(276,664)	3,485,318
Net proceeds from shares issued pursuant to share option schemes (Note a)	20,354	1,858	103,317	–	105,175
Shares converted from convertible securities (Note 17)	137,799	10,785	294,912	–	305,697
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	(10,499)	–	(10,499)
Shares vested under Restricted Share Award Scheme	10,513	–	–	106,627	106,627
Shares purchased for Restricted Share Award Scheme	(379)	–	–	–	–
<b>As at 30 June 2020</b>	<b>2,457,946</b>	<b>226,943</b>	<b>3,935,412</b>	<b>(170,037)</b>	<b>3,992,318</b>
<b>As at 1 January 2019</b>	2,162,481	204,435	3,249,389	(168,809)	3,285,015
Net proceeds from shares issued pursuant to share option schemes (Note a)	3,225	280	12,845	–	13,125
Shares converted from convertible securities (Note 17)	112,125	9,618	263,008	–	272,626
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	–	–	(7,853)	–	(7,853)
Shares vested under Restricted Share Award Scheme	4,697	–	–	26,842	26,842
<b>As at 30 June 2019</b>	<b>2,282,528</b>	<b>214,333</b>	<b>3,517,389</b>	<b>(141,967)</b>	<b>3,589,755</b>

- (a) During the six months ended 30 June 2020, the Company issued 20,354,000 shares (2019: 3,225,000 shares) to certain directors and employees of the Group at weighted-average issue price of HK\$5.66 (2019: HK\$4.69) per share pursuant to the Company's 2004 and 2014 Share Option Scheme (see Note 28).

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 17. Reserves

	Unaudited							
	Capital reserves RMB'000	Statutory reserve funds RMB'000	Share-based compensation reserve RMB'000	Convertible securities reserve RMB'000	Currency translation difference RMB'000	Subtotal RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2020	142,955	485,488	211,990	308,465	4,747	1,153,645	2,482,676	3,636,321
Profit for the period	-	-	-	-	-	-	683,271	683,271
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	51,508	-	-	51,508	-	51,508
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	-	10,499	-	-	10,499	-	10,499
Shares converted from convertible securities (Note)	-	-	-	(305,697)	-	(305,697)	-	(305,697)
Shares vested under Restricted Share Award Scheme	-	-	(106,627)	-	-	(106,627)	-	(106,627)
Translation difference of foreign currency financial statements	-	-	-	-	2,737	2,737	-	2,737
Dividends (Note 27)	-	-	-	-	-	-	(377,821)	(377,821)
<b>As at 30 June 2020</b>	<b>142,955</b>	<b>485,488</b>	<b>167,370</b>	<b>2,768</b>	<b>7,484</b>	<b>806,065</b>	<b>2,788,126</b>	<b>3,594,191</b>
As at 1 January 2019	141,470	466,264	147,303	557,426	2,106	1,314,569	1,217,456	2,532,025
Profit for the period	-	-	-	-	-	-	794,999	794,999
Value of services provided under share option schemes and Restricted Share Award Scheme	-	-	49,091	-	-	49,091	-	49,091
Share options lapsed	1,485	-	(1,485)	-	-	-	-	-
Transfer of fair value of share options exercised and Restricted Share Award Scheme vested to share premium	-	-	7,853	-	-	7,853	-	7,853
Shares converted from convertible securities (Note)	-	-	-	(272,626)	-	(272,626)	-	(272,626)
Shares vested under Restricted Share Award Scheme	-	-	(26,842)	-	-	(26,842)	-	(26,842)
Translation difference of foreign currency financial statements	-	-	-	-	528	528	-	528
Dividends (Note 27)	-	-	-	-	-	-	(214,695)	(214,695)
<b>As at 30 June 2019</b>	<b>142,955</b>	<b>466,264</b>	<b>175,920</b>	<b>284,800</b>	<b>2,634</b>	<b>1,072,573</b>	<b>1,797,760</b>	<b>2,870,333</b>



## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 17. Reserves (Continued)

Note:

- (a) In April 2013, the Company issued convertible securities (the "2013 CS") in the aggregate principal amount of approximately HK\$1,847,838,000 (equivalent to approximately RMB1,480,488,000). The 2013 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK\$3.5 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2013 CS can be converted into 527,953,814 ordinary shares of the Company.
- (b) In January 2015, the Company issued Offer Securities (qualifying shareholders can select either of subscribing ordinary shares or convertible securities) in the aggregate principal amount of approximately HK\$1,553,530,000 (equivalent to approximately RMB1,229,930,000), under which 450,630,034 ordinary shares and 146,881,496 convertible securities (the "2015 CS") were issued. The 2015 CS are non-interest bearing and convertible at any time after issuance with an initial conversion price of HK\$2.6 per ordinary share of the Company (subject to standard anti-dilution adjustments). Upon issuance, the 2015 CS can be converted into 146,881,496 ordinary shares of the Company.
- (c) The 2013 CS and 2015 CS (collectively referred to as "CS") cannot be redeemed unless the Company exercises the pre-emption right (but shall not be obliged) to redeem (or procure the purchase of) all or part of the principal amount of the CS.

The CS do not meet the definition of financial liabilities under International Accounting Standards 32 "Financial Instruments: Presentation", as (1) the Company has no contractual obligation to settle the CS in cash, it is the Company's own choice to redeem all or part of the principal amount of the CS, the CS holder has no right to receive and the Company has no obligation to deliver cash (i.e. there will be no exchange of cash for shares when the holders exercise the conversion right) or any financial assets; and (2) both the principal amount and the conversion price of the CS are denominated in HK\$, the number of shares to be issued upon conversion is therefore fixed. As a result, all of the CS are classified as equity upon initial recognition.

- (d) During the six months ended 30 June 2020, CS with carrying value of HK\$390,592,000 (equivalent to approximate RMB305,697,000) were converted into 137,799,000 ordinary shares of the Company (Note 16).
- (e) Up to 30 June 2020, CS with an aggregate carrying value of HK\$2,167,730,000 (equivalent to approximately RMB1,732,151,000) had been converted into ordinary shares of the Company. As at 30 June 2020, CS with carrying value of HK\$3,536,000 (equivalent to approximately RMB2,768,000) were outstanding, which could be converted into 1,248,000 ordinary shares of the Company upon conversion.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 18. Trade payables

The normal credit period for trade payables generally ranges from 30 to 60 days. Ageing analysis of trade payables at the respective balance sheet dates is as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
0 – 30 days	918,620	1,125,045
31 – 60 days	390,296	191,812
61 – 90 days	26,430	23,777
91 – 180 days	1,978	1,717
181 – 365 days	830	1,725
Over 365 days	4,696	4,130
	1,342,850	1,348,206

#### 19. Other payables and accruals

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Refunds liabilities	615,050	593,284
Accrued sales and marketing expenses	546,370	379,253
Sales rebates	270,371	355,042
Payable for property, plant and equipment	191,783	190,204
Wages and welfare payables	180,706	326,022
Other tax payables	132,817	79,645
Others	240,404	250,208
	2,177,501	2,173,658

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 20. License fees payable

The Group entered into several license agreements with entities and athletes to obtain exclusive product development and marketing rights. Pursuant to the agreements, consideration shall be paid by the Group in tranches during the lives of the licenses.

Movement in license fees payable during the period is analysed as follows:

	Unaudited RMB'000
<b>Six months ended 30 June 2020</b>	
As at 1 January 2020	55,930
Additions	32,651
Payment of license fees	(24,892)
Amortisation of discount (Note 24)	1,409
Adjustment for exchange difference	114
<b>As at 30 June 2020</b>	<b>65,212</b>
<b>Six months ended 30 June 2019</b>	
As at 1 January 2019	56,284
Additions	33,676
Payment of license fees	(10,987)
Amortisation of discount (Note 24)	1,643
Adjustment for exchange difference	5
<b>As at 30 June 2019</b>	<b>80,621</b>

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 20. License fees payable (Continued)

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Analysis of license fees payable:		
Non-current		
– the second to fifth year	26,026	18,699
– more than five years	3,014	5,882
Current	36,172	31,349
	65,212	55,930

The license fees payable is mainly denominated in RMB and US\$.

The maturity profile of the Group's license fees based on contractual undiscounted cash flows is as follows:

	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
Less than 1 year	36,510	31,634
Between 1 and 5 years	34,000	27,000
Over 5 years	5,000	10,000
	75,510	68,634

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 21. Deferred income

	Unaudited Government grants RMB'000
Six months ended 30 June 2020	
As at 1 January 2020	53,821
Addition	250
Credited to income statement	(655)
<b>As at 30 June 2020</b>	<b>53,416</b>
Six months ended 30 June 2019	
As at 1 January 2019	53,675
Addition	250
Credited to income statement	(647)
<b>As at 30 June 2019</b>	<b>53,278</b>

#### 22. Expenses by nature

	Unaudited Six months ended 30 June	
	2020 RMB'000	2019 RMB'000
Cost of inventories recognised as expenses included in cost of sales	3,026,834	3,058,230
Depreciation on property, plant and equipment (Note a)	250,696	189,829
Amortisation of land use rights and intangible assets	19,706	21,687
Depreciation on right-of-use assets	217,560	152,580
Impairment of goodwill	–	36,394
Advertising and marketing expenses	555,709	557,055
Commission and trade fair related expenses	144,286	119,194
Staff costs, including directors' emoluments (Note a)	622,981	725,224
Short-term lease rentals and variable lease payments not included in lease liabilities and rental related expenses	190,961	318,793
Research and product development expenses (Note a)	139,007	132,711
Transportation and logistics expenses	225,563	214,063
Auditor's remuneration		
– Audit services	2,800	2,600
– Non-audit services	600	316
Management consulting expenses	30,775	44,577

Note:

- (a) Research and product development expenses include depreciation on property, plant and equipment and staff costs in Research & Development Department, which are also included in depreciation expense and staff costs as disclosed above.



## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 23. Other income and other gains – net

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants	92,384	22,312
License fees income	19,429	6,452
Interest income from wealth management products measured at fair value through profit or loss	48,460	29,553
Changes in fair value of derivative financial instruments at fair value through profit or loss	229	(14,011)
	160,502	44,306

#### 24. Finance income and expenses

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Finance income		
– Interest income on bank balances and deposits	17,407	15,139
– Net foreign currency exchange gain	1,987	3,063
	19,394	18,202
Finance expenses		
– Amortisation of discount – license fees payable (Note 20)	(1,409)	(1,643)
– Amortisation of discount – lease liabilities (Note 8)	(25,506)	(19,833)
– Others	(4,973)	(4,965)
	(31,888)	(26,441)
Finance expenses– net	(12,494)	(8,239)

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 25. Income tax expense

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	329,745	261,153
– Withholding income tax on interest income from subsidiaries in the PRC	–	593
	329,745	261,746
Deferred income tax	(105,835)	(76,443)
Income tax expense	223,910	185,303

#### 26. Earnings per share

##### Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of shares in issue less shares held for Restricted Share Award Scheme during the period. Such weighted average number of shares outstanding shall be adjusted for events such as bonus issue and stock dividend.

In April 2013, the Company completed the issuance of convertible securities. In January 2015, the Company completed the issuance of Offer Securities. The below market subscription price of these two events had effectively resulted in 286,000 ordinary shares (30 June 2019: 44,813,000 ordinary shares) to be issued upon conversion for nil consideration (i.e. the bonus element), and such impact has been taken into account in calculating the weighted average number of shares for the purpose of basic earnings per share. The shares issued for nil consideration arising from the issuance of offer securities have been adjusted retrospectively and treated as outstanding as if the issuance had occurred at the beginning of 2019.

	Unaudited	
	Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company (RMB'000)	683,271	794,999
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	2,441,780	2,417,682
Basic earnings per share (RMB cents)	27.98	32.88

# Condensed Consolidated Interim Financial Information (Continued)

## Notes to Condensed Consolidated Interim Financial Information (Continued)

### 26. Earnings per share (Continued)

#### Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of shares in issue to assume conversion of all dilutive potential shares. The Company's dilutive potential shares comprise shares to be issued under share option schemes and Restricted Share Award Scheme. In relation to shares issued under share option schemes, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares during the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Unaudited Six months ended 30 June	
	2020	2019
Profit attributable to equity holders of the Company, used to determine diluted earnings per share (RMB'000)	683,271	794,999
Deemed weighted average number of shares and convertible securities after adjustment for related bonus element for basic earnings per share (in thousands)	2,441,780	2,417,682
Adjustment for the restricted shares (in thousands)	21,023	26,572
Adjustment for the share options schemes (in thousands)	39,615	34,071
Deemed weighted average number of ordinary shares for diluted earnings per share (in thousands)	2,502,418	2,478,325
Diluted earnings per share (RMB cents)	27.30	32.08

As at 30 June 2020, there were 3,156,000 share options that could potentially have a dilutive impact in the future but were anti-dilutive during the six months ended 30 June 2020. As at 30 June 2019, there were 1,607,000 share options that could potentially have a dilutive impact in the future but were anti-dilutive during the six months ended 30 June 2019.

### 27. Dividends

On 12 June 2020, the shareholders of the Company approved to declare a final dividend of RMB15.47 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2019. The final dividend was paid in June 2020.

On 14 June 2019, the shareholders of the Company approved to declare a final dividend of RMB8.78 cents per ordinary share of the Company issued or to be issued upon conversion of convertible securities for the year ended 31 December 2018. The final dividend was paid in July 2019.

The Board did not propose interim dividend for the six months ended 30 June 2020 (30 June 2019: nil).

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 28. Share-based compensation

##### (a) 2004 Share Option Scheme

Movements in the number of share options outstanding under this scheme and their weighted average exercise prices are as follows:

	Unaudited Six months ended 30 June			
	2020		2019	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	6.088	358	6.031	3,753
Exercised	6.056	(320)	5.368	(876)
Lapsed	–	–	6.350	(52)
<b>As at 30 June</b>	<b>6.350</b>	<b>38</b>	<b>6.231</b>	<b>2,825</b>
<b>Exercisable as at 30 June</b>	<b>6.350</b>	<b>38</b>	<b>6.231</b>	<b>2,825</b>

Share options outstanding under this scheme as at 30 June 2020 and 31 December 2019 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2020		Audited 31 December 2019	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
	31 December 2020	6.350	38	6.350
31 December 2020	4.630	–	4.630	55
		<b>38</b>		<b>358</b>

The fair value of the 2004 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the condensed consolidated income statement during the six months ended 30 June 2020 was nil (30 June 2019: RMB18,000).

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 28. Share-based compensation (Continued)

##### (b) 2014 Share Option Scheme

Movements in the number of share options outstanding under this scheme and their weighted average exercise prices are as follows:

	Unaudited Six months ended 30 June			
	2020		2019	
	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)	Weighted average exercise price (per share) HK\$	Outstanding options (Thousands)
As at 1 January	6.782	67,060	5.682	71,978
Granted	–	–	13.211	1,607
Exercised	5.654	(20,034)	4.440	(2,349)
Lapsed	–	–	4.440	(900)
<b>As at 30 June</b>	<b>7.262</b>	<b>47,026</b>	<b>5.911</b>	<b>70,336</b>
<b>Exercisable as at 30 June</b>	<b>5.833</b>	<b>20,927</b>	<b>4.208</b>	<b>14,767</b>

Share options outstanding under this scheme as at 30 June 2020 and 31 December 2019 have the following expiry date and exercise price:

Expiry date	Unaudited 30 June 2020		Audited 31 December 2019	
	Exercise price (per share) HK\$	Share options (Thousands)	Exercise price (per share) HK\$	Share options (Thousands)
31 December 2020	4.440	2,135	4.440	7,415
7 June 2026	3.300	2,600	3.300	3,000
31 December 2022	6.120	36,748	6.120	50,462
31 December 2023	9.090	368	9.090	390
31 December 2023	7.070	412	7.070	1,030
31 December 2024	13.360	407	13.360	407
16 May 2029	13.160	1,200	13.160	1,200
31 December 2027	22.520	3,156	22.520	3,156
		<b>47,026</b>		<b>67,060</b>

The fair value of the 2014 Share Option Scheme is charged to the consolidated income statement over the vesting period of the option. The amount charged to the condensed consolidated income statement during the six months ended 30 June 2020 was RMB19,689,000 (30 June 2019: RMB21,887,000).



## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 28. Share-based compensation (Continued)

##### (c) 2006 Restricted Share Award Scheme

Movements in the number of Restricted Shares granted and related fair value are as follows:

	Unaudited Six months ended 30 June			
	2020		2019	
	Weighted average fair value (per share) HK\$	Number of Restricted Shares granted (Thousands)	Weighted average fair value (per share) HK\$	Number of Restricted Shares granted (Thousands)
As at 1 January	–	–	3.200	4,644
Vested	–	–	3.200	(4,622)
Lapsed	–	–	3.200	(22)
<b>As at 30 June</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

The fair value of Restricted Shares charged to the condensed consolidated income statement was nil during the six months ended 30 June 2020 (30 June 2019: RMB1,075,000).

##### (d) 2016 Restricted Share Award Scheme

Movements in the number of Restricted Shares granted and related fair value are as follows:

	Unaudited Six months ended 30 June			
	2020		2019	
	Weighted average fair value (per share) HK\$	Number of Restricted Shares granted (Thousands)	Weighted average fair value (per share) HK\$	Number of Restricted Shares granted (Thousands)
As at 1 January	8.088	24,050	6.140	26,827
Granted	–	–	12.489	326
Vested	6.249	(10,513)	4.660	(75)
Lapsed	–	–	6.353	(209)
<b>As at 30 June</b>	<b>9.517</b>	<b>13,537</b>	<b>5.891</b>	<b>26,869</b>

The fair value of Restricted Shares charged to the condensed consolidated income statement was RMB31,819,000 during the six months ended 30 June 2020 (30 June 2019: RMB26,111,000).

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 29. Related-party transactions

Besides as disclosed elsewhere in this condensed consolidated interim financial information, the Group has the following related-party transactions during the period:

##### (a) Sales of goods to:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Subsidiaries of Viva China Holdings Limited ("Viva China"), being controlled by a substantial shareholder of the Company	2,251	1,858
Li-Ning (Beijing) Sports Culture Co., Ltd. ("Li-Ning Sports Culture") (a joint venture of the Group)	–	85
	2,251	1,943

##### (b) Purchases of goods from:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Hubei Dong Neng Sports Goods Co., Ltd. ("Hubei Dong Neng") (an associate of the Group)	93,082	128,805
Guangxi Ning Tai Garment Co., Ltd. ("Guangxi Ning Tai") (a joint venture of the Group)	6,009	–
Laibin Cheng Xin Materials Co., Ltd. ("Laibin Cheng Xin") (a joint venture of the Group)	4,540	–
Subsidiaries of Viva China	1,195	–
Subsidiary of Li-Ning Aigle Ventures Company Limited ("Li Ning Aigle Ventures"), being controlled by a joint venture of the Group	–	1,820
	104,826	130,625

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 29. Related-party transactions (Continued)

##### (c) Sales of services to:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Subsidiaries of Viva China	650	1,150
Subsidiary of Li-Ning Aigle Ventures	287	344
Li-Ning Sports Culture	–	53
	937	1,547

##### (d) Purchases of services from:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Subsidiaries of Viva China	110,125	113,410
Shanghai Double Happiness Co., Ltd. (an associate of the Group)	3,289	3,668
Elite Holiday (Beijing) Sports Development Co., Ltd., being controlled by a substantial shareholder of the Company	–	1,415
	113,414	118,493

In the opinion of the directors, these transactions were entered into at terms as agreed with the related parties in the ordinary course of business.

## Condensed Consolidated Interim Financial Information (Continued)

### Notes to Condensed Consolidated Interim Financial Information (Continued)

#### 29. Related-party transactions (Continued)

##### (e) Key management compensation

Details of compensation paid or payable to key management of the Group are as follows:

	Unaudited	
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Employee share schemes for value of services provided	34,165	26,038
Salaries and other benefits	18,649	12,303
Contribution to retirement benefit scheme	1,352	227
	54,166	38,568

##### (f) Period-end/year-end balances

	Unaudited	Audited
	30 June	31 December
	2020	2019
	RMB'000	RMB'000
Receivables from related parties:		
Laibin Cheng Xin	5,167	–
Subsidiaries of Viva China	740	659
Li-Ning Sports Culture	–	89
	5,907	748
Payables to related parties:		
Subsidiaries of Viva China	97,091	872
Hubei Dong Neng	18,024	66,251
Guangxi Ning Tai	6,009	–
Laibin Cheng Xin	3,996	900
	125,120	68,023

# Other Information

## INTERIM DIVIDEND

The Board does not recommend to declare an interim dividend in respect of the six months ended 30 June 2020 (30 June 2019: Nil).

The proposed final dividend of RMB15.47 cents per Share issued or to be issued upon conversion of the CS for the year ended 31 December 2019 was declared payable and approved by the Shareholders at the annual general meeting of the Company on 12 June 2020.

## LONG-TERM INCENTIVE SCHEMES

### Share Option Scheme

The options granted under the 2004 Share Option Scheme which remained outstanding immediately prior to its termination on 30 May 2014 shall continue to be valid and exercisable in accordance with their terms of grant and the rules of the 2004 Share Option Scheme. The outstanding options granted under the 2004 Share Option Scheme as at 30 June 2020 entitled the holders to subscribe for 38,122 Shares. Details of movements of the options granted under the 2004 Share Option Scheme for the six months ended 30 June 2020 are as follows:

Grantee	Date of grant	Exercise price per Share HK\$	Adjusted exercise price per Share upon the 2015 Open Offer HK\$ (Note 1)	As at 01/01/2020	Number of Shares					As at 30/06/2020	Vesting Period	Exercise Period
					Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
<b>Employees of the Group</b>												
In aggregate	17/01/2014	7.00	6.35	266,358	-	265,111 (Note 2(a))	-	-	1,247	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020	
In aggregate	04/04/2014	5.10	4.63	54,566	-	54,566 (Note 2(b))	-	-	-	05/04/2015 – 05/04/2019	05/04/2015 – 31/12/2020	
<b>Other participants</b>												
In aggregate	17/01/2014	7.00	6.35	36,875	-	-	-	-	36,875	18/01/2015 – 31/03/2019	18/01/2015 – 31/12/2020	
				357,799	-	319,677	-	-	38,122			

#### Notes:

- As a result of the 2015 Open Offer, the exercise prices were adjusted in accordance with the 2004 Share Option Scheme on 2 February 2015. Please refer to the announcement of the Company dated 30 January 2015 for details.
- The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$18.19.
  - The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$24.25.



## Other Information (Continued)

Details of movements of the options granted under the 2014 Share Option Scheme for the six months ended 30 June 2020 are as follows:

Grantee	Date of grant	Exercise price per Share HK\$	As at 01/01/2020	Number of Shares				As at 30/06/2020	Vesting Period	Exercise Period
				Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period			
<b>Executive Director</b>										
Kosaka Takeshi	19/09/2019	22.52	3,155,800	-	-	-	-	3,155,800	01/09/2020 – 01/09/2024	01/09/2020 – 31/12/2027
<b>Independent non-executive Directors</b>										
Koo Fook Sun, Louis	17/05/2019	13.16	300,000	-	-	-	-	300,000	17/05/2020 – 17/05/2022	17/05/2020 – 16/05/2029
Wang Ya Fei	17/05/2019	13.16	300,000	-	-	-	-	300,000	17/05/2020 – 17/05/2022	17/05/2020 – 16/05/2029
Chan Chung Bun, Bunny	17/05/2019	13.16	300,000	-	-	-	-	300,000	17/05/2020 – 17/05/2022	17/05/2020 – 16/05/2029
Su Jing Shyh, Samuel	17/05/2019	13.16	300,000	-	-	-	-	300,000	17/05/2020 – 17/05/2022	17/05/2020 – 16/05/2029
<b>Employees of the Group</b>										
In aggregate	01/04/2015	4.44	6,615,000	-	5,030,000 (Note 1(a))	-	-	1,585,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
In aggregate	08/06/2016	3.30	3,000,000	-	400,000 (Note 1(b))	-	-	2,600,000	08/06/2017 – 08/06/2019	08/06/2017 – 07/06/2026
In aggregate	20/12/2017	6.12	50,461,760	-	13,714,920 (Note 1(c))	-	-	36,746,840	01/09/2019 – 01/04/2021	01/09/2019 – 31/12/2022 (Note 2)
In aggregate	30/05/2018	9.09	390,400	-	22,000 (Note 1(d))	-	-	368,400	01/09/2019 – 01/04/2021	01/09/2019 – 31/12/2023 (Note 2)
In aggregate	13/09/2018	7.07	1,030,000	-	618,000 (Note 1(e))	-	-	412,000	01/09/2019 – 01/04/2021	01/09/2019 – 31/12/2023 (Note 2)
In aggregate	15/04/2019	13.36	407,400	-	-	-	-	407,400	01/04/2020 – 01/04/2021	01/04/2020 – 31/12/2024 (Note 2)
<b>Other participants</b>										
In aggregate	01/04/2015	4.44	800,000	-	250,000 (Note 1(f))	-	-	550,000	01/04/2016 – 01/04/2018	01/04/2016 – 31/12/2020
			67,060,360	-	20,034,920	-	-	47,025,440		

## Other Information (Continued)

### Notes:

1.
  - (a) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$23.90.
  - (b) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$27.98.
  - (c) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$24.91.
  - (d) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$28.01.
  - (e) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$26.20.
  - (f) The weighted average closing price of the Shares immediately before the dates on which the options were exercised is HK\$23.88.
2. The Board has resolved on 11 December 2019 to amend and accelerate the vesting dates of these share options to be vested in 2020 and 2021.

Details of valuation of the share options granted during the six months ended 30 June 2020 under the 2004 Share Option Scheme and 2014 Share Option Scheme are set out in note 28 to the condensed consolidated interim financial information. The fair values are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

## Other Information (Continued)

### Restricted Share Award Scheme

Details of movements of the Restricted Shares granted under the 2016 Restricted Share Award Scheme for the six months ended 30 June 2020 are as follows:

Date of grant	Fair value per Restricted Share HK\$ (Note 1)	Number of Restricted Shares					As at 30/06/2020	Vesting period
		As at 01/01/2020	Granted during the period	Vested during the period	Lapsed during the period			
06/09/2017	5.74	4,474,640	–	2,191,400	–	2,283,240	06/09/2019 – 01/04/2021 (Note 2)	
23/11/2017	6.18	91,840	–	45,920	–	45,920	06/09/2019 – 01/04/2021 (Note 2)	
20/12/2017	6.12	15,268,400	–	7,541,400	–	7,727,000	01/09/2019 – 01/04/2021 (Note 2)	
29/05/2018	8.80	130,400	–	65,200	–	65,200	01/09/2019 – 01/04/2021 (Note 2)	
04/07/2018	8.21	860,800	–	430,400	–	430,400	01/09/2019 – 01/04/2021 (Note 2)	
12/09/2018	6.69	191,680	–	95,840	–	95,840	01/09/2019 – 01/04/2021 (Note 2)	
02/04/2019	12.48	252,900	–	121,766	–	131,134	01/04/2020 – 01/09/2022 (Note 2)	
14/05/2019	12.52	18,300	–	6,100	–	12,200	01/04/2020 – 15/06/2022 (Note 2)	
16/09/2019	22.10	45,100	–	15,033	–	30,067	01/04/2020 – 01/09/2022 (Note 2)	
19/09/2019	22.40	1,186,100	–	–	–	1,186,100	01/09/2020 – 01/09/2022	
19/09/2019	22.40	247,100	–	–	–	247,100	01/09/2020	
19/09/2019	22.40	1,235,500	–	–	–	1,235,500	01/09/2020 – 01/09/2024	
29/11/2019	25.10	46,600	–	–	–	46,600	01/09/2020 – 01/09/2022	
		24,049,360	–	10,513,059	–	13,536,301		

#### Notes:

- The fair values of the Restricted Shares were based on the closing price per Share at the date of grant.
- The Board has resolved on 11 December 2019 to amend and accelerate the vesting dates of these Restricted Shares to be vested in 2020 and 2021.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangement to enable the Directors or any of their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Other Information (Continued)

### **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

Name of Director	Capacity	Number of Shares held	Number of underlying Shares	Total (Long Position)	Approximate % of total issued Shares*
Li Ning	Personal interest & Interests of controlled corporations	345,497,979	4,334,140	349,832,119 (Note 1)	14.14%
Kosaka Takeshi	Personal interest	–	4,638,400 (Note 2)	4,638,400	0.19%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	331,847,143	430,400	332,277,543 (Note 3)	13.43%
Koo Fook Sun, Louis	Personal interest	–	300,000 (Note 4)	300,000	0.01%
Wang Ya Fei	Personal interest	491,888	300,000 (Note 4)	791,888	0.03%
Chan Chung Bun, Bunny	Personal interest	213,130	300,000 (Note 4)	513,130	0.02%
Su Jing Shyh, Samuel	Personal interest	–	300,000 (Note 4)	300,000	0.01%

\* The percentage has been calculated based on 2,473,902,646 Shares in issue as at 30 June 2020.

## Other Information (Continued)

### Notes:

1. Mr. Li Ning ("Mr. Li") is interested in 345,497,979 Shares, among which 14,296,436 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China Holdings Ltd ("Viva China BVI"). Moreover, Mr. Li is interested in 4,334,140 underlying Shares. Details are as follows:
  - (a) Viva China BVI, a wholly-owned subsidiary of Viva China Holdings Limited ("Viva China"), is interested in 331,201,543 Shares. As at 30 June 2020, Viva China is owned as to approximately 18.95% by Victory Mind Assets Limited ("Victory Mind"), approximately 24.06% by Lead Ahead Limited ("Lead Ahead") and approximately 22.56% by Dragon City Management (PTC) Limited ("Dragon City") respectively. Mr. Li has personal interest of approximately 0.24% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li and 40% by his brother, Mr. Li Chun, a substantial shareholder of the Company, respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li is deemed to be interested in the 331,201,543 Shares held by Viva China. Mr. Li is also an executive director, the chairman and chief executive officer of Viva China.
  - (b) Mr. Li is interested in 4,334,140 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
2. Mr. Kosaka Takeshi is interested in 3,155,800 share options granted under the 2014 Share Option Scheme at an exercise price of HK\$22.52 each and 1,482,600 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
3. Mr. Li Qilin is interested in 331,847,143 Shares, among which 645,600 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 430,400 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.
4. The underlying Shares are the share options granted by the Company to the respective Directors under the 2014 Share Option Scheme at an exercise price of HK\$13.16 each.

Save as disclosed above, so far as was known to any Director, as at 30 June 2020, none of the Directors or chief executives of the Company had, pursuant to Divisions 7 and 8 of Part XV of the SFO, nor were they taken or deemed to have under such provisions of the SFO, any interest or short position in any shares, underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange, or any interest which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein, or any interests which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## Other Information (Continued)

### ***SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES***

As at 30 June 2020, the register of substantial shareholders kept under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions which represent 5% or more of the Company's issued share capital:

Name of Shareholder	Capacity	Number of Shares held	Number of underlying Shares	Approximate % of total issued Shares*	
				Total	(Long Position)
Li Ning	Personal interest & Interests of controlled corporations	345,497,979	4,334,140	349,832,119 (Note 1)	14.14%
Li Qilin	Personal interest & Beneficiary of two discretionary trusts	331,847,143	430,400	332,277,543 (Note 2)	13.43%
Li Chun	Interest of controlled corporations	331,201,543	–	331,201,543 (Note 3)	13.39%
Viva China Holdings Limited	Interest of controlled corporation	331,201,543	–	331,201,543 (Note 1(a))	13.39%
FMR LLC	Interest of controlled corporation	148,527,627	–	148,527,627	6.00%
Schroder Plc	Interest of controlled corporation	145,188,500	–	145,188,500	5.87%
BlackRock, Inc.	Interest of controlled corporation	124,140,393	–	124,140,393	5.02%

\* The percentage has been calculated based on 2,473,902,646 Shares in issue as at 30 June 2020.



## Other Information (Continued)

### Notes:

1. Mr. Li Ning is interested in 345,497,979 Shares, among which 14,296,436 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China BVI. Moreover, Mr. Li is interested in 4,334,140 underlying Shares. Details are as follows:
  - (a) Viva China BVI, a wholly-owned subsidiary of Viva China, is interested in 331,201,543 Shares. As at 30 June 2020, Viva China is owned as to approximately 18.95% by Victory Mind, approximately 24.06% by Lead Ahead and approximately 22.56% by Dragon City respectively. Mr. Li has personal interest of approximately 0.24% shareholding in Viva China. Lead Ahead is owned as to 60% by Mr. Li and 40% by his brother, Mr. Li Chun, a substantial shareholder of the Company, respectively. Victory Mind is owned as to 57% by Ace Leader Holdings Limited (which is wholly-owned by a discretionary trust of which Mr. Li is a settlor) and 38% by Jumbo Top Group Limited (which is wholly-owned by a discretionary trust of which Mr. Li Chun is a settlor). Dragon City is the trustee of a unit trust, the units of which are owned as to 60% by a discretionary trust of which Mr. Li is a settlor and 40% by a discretionary trust of which Mr. Li Chun is a settlor. As a result, by virtue of the SFO, Mr. Li is deemed to be interested in the 331,201,543 Shares held by Viva China. Mr. Li is also an executive director, the chairman and chief executive officer of Viva China.
  - (b) Mr. Li is interested in 4,334,140 unvested Restricted Shares under the 2016 Restricted Share Award Scheme.
2. Mr. Li Qilin is interested in 331,847,143 Shares, among which 645,600 Shares are held as personal interest, and he is deemed to be interested in 331,201,543 Shares held by Viva China by virtue of the SFO. Moreover, Mr. Li Qilin is interested in 430,400 unvested Restricted Shares under the 2016 Restricted Share Award Scheme. Mr. Li Qilin is the nephew of Mr. Li Ning and the son of Mr. Li Chun, a substantial shareholder of the Company. He is also an executive director of Viva China.
3. As disclosed in Note 1(a) above, Mr. Li Chun is deemed to be interested in 331,201,543 Shares held by Viva China. He is the brother of Mr. Li Ning and the father of Mr. Li Qilin.

Save as disclosed above, as at 30 June 2020, the Company had not been notified by any person (other than a Director or chief executive of the Company or their respective associate(s)) of any interest and short position in the Shares and underlying Shares which were required to be recorded in the register kept under Section 336 of the SFO.

## Other Information (Continued)

### **CONVERTIBLE SECURITIES**

The Company issued convertible securities (the "2013 Convertible Securities") with an aggregate principal amount of HK\$1,847,838,349 which is convertible into a total of 527,953,814 Shares on 22 April 2013. Please refer to the announcement of the Company dated 18 April 2013 for details.

On 16 December 2014, the Company announced the 2015 Open Offer of offer securities (i.e. new ordinary Shares and/or convertible securities (the "2015 Convertible Securities")) (the "Offer Securities") on the basis of 5 Offer Securities for every 12 existing Shares held on 8 January 2015. Details of the 2015 Open Offer and the terms thereof are set out in the Company's announcement dated 16 December 2014 and the prospectus dated 9 January 2015 respectively.

After the 2015 Open Offer, the Company issued a total of 597,511,530 Offer Securities, which include 450,630,034 new ordinary Shares and the 2015 Convertible Securities with an aggregate principal amount of HK\$381,891,889.60 which is convertible into a total of 146,881,496 Shares on 2 February 2015. Please refer to the announcement of the Company dated 30 January 2015 for details.

As a result of the 2015 Open Offer and pursuant to the terms and conditions of the 2013 Convertible Securities, the conversion price of the 2013 Convertible Securities was adjusted from HK\$3.50 per Share to HK\$3.183 per Share on 2 February 2015. Based on the outstanding 2013 Convertible Securities in the aggregate principal amount of approximately HK\$529,251,713 on 2 February 2015, the conversion rights attaching to the outstanding 2013 Convertible Securities were adjusted from 151,214,775 Shares to 166,274,493 Shares. Please refer to the announcement of the Company dated 30 January 2015 for details.

During the six months ended 30 June 2020, the 2013 Convertible Securities in an aggregate principal amount of approximately HK\$398,162,424.90 had been converted into 125,090,300 Shares, and the 2015 Convertible Securities in an aggregate principal amount of approximately HK\$33,041,564.40 had been converted into 12,708,294 Shares. As at 30 June 2020, the outstanding 2013 Convertible Securities amounted to approximately HK\$3,970,647.72 and the outstanding 2015 Convertible Securities amounted to HK\$200.20 which are convertible into a total of 1,247,454 Shares and 77 Shares respectively.

## Other Information (Continued)

Assuming all outstanding CS were converted into shares as at 30 June 2020, set out below is the shareholding structure of the Company before and after such conversion:

Name of Substantial Shareholder (Note 1)	No. of Shares before conversion of outstanding CS		No. of Shares convertible under the CS	No. of Shares after including shares convertible under the outstanding CS	
		% of holdings			% of holdings
Li Ning	345,497,979 (Note 2)	13.97%	–	345,497,979	13.96%
Public	2,128,404,667	86.03%	1,247,531	2,129,652,198	86.04%
<b>Total</b>	<b>2,473,902,646</b>	<b>100.00%</b>	<b>1,247,531</b>	<b>2,475,150,177</b>	<b>100.00%</b>

Notes:

- The substantial shareholder has the same meaning ascribed to it under the Listing Rules.
- Mr. Li Ning is interested in 345,497,979 Shares, among which:
  - 14,296,436 Shares are held as personal interest; and
  - 331,201,543 Shares are held by Viva China Holdings Limited.

Mr. Li Qilin, the nephew of Mr. Li Ning and the son of Mr. Li Chun, is deemed to be interested in 331,201,543 Shares held by Viva China Holdings Limited. Please refer to Notes 1(a) and 2 in the section headed “Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares” of this Report for details of his deemed interest.

Mr. Li Chun, the brother of Mr. Li Ning and the father of Mr. Li Qilin, is deemed to be interested in 331,201,543 Shares held by Viva China Holdings Limited. Please refer to Notes 1(a) and 3 in the section headed “Substantial Shareholders’ Interests and Short Positions in Shares and Underlying Shares” of this Report for details of his deemed interest.

As the Company has no contractual obligation to settle the CS in cash, it is at the Company’s own discretion to determine whether or not to redeem all or part of the principal amount of the CS. The CS Holders have substantially the same economic interest as the equity holders (other than voting rights) and the CS are already included in the basic earning per share calculation. For details, please refer to note 26 to the condensed consolidated interim financial information.

In view of the above, an analysis on the Company’s share price at which it would be equally financially advantageous for the CS Holders to convert or redeem the CS based on implied internal rate of return at a range of dates in the future is not applicable.

## Other Information (Continued)

### **CHANGES IN DIRECTORS' INFORMATION**

1. Ms. Wang Ya Fei ceased to be the chairperson of Caelum Asset Management Company in early 2020.
2. Dr. Chan Chung Bun, Bunny served as an independent non-executive director of MTR Corporation Limited, a company listed on the Main Board of the Hong Kong Stock Exchange, with effect from May 2020.

Save as disclosed above, there has been no other change in information on the Directors since the date of the annual report of the Company for the year ended 31 December 2019, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

The Company did not redeem any of its Shares during the six months ended 30 June 2020. Except for the purchase of shares by the trustee of the 2016 Restricted Share Award Scheme pursuant to the trust deed and the rules of the 2016 Restricted Share Award Scheme, neither the Company nor any of its subsidiaries purchased or sold any Shares during the period.

### **CORPORATE GOVERNANCE**

For the period from 1 January 2020 to 30 June 2020, the Company has complied with all the code provisions of the Corporate Governance Code ("Code Provisions") contained in Appendix 14 to the Listing Rules with the exception of paragraph A.2.1 of the Code Provisions.

According to paragraph A.2.1 of the Code Provisions, the roles of the chairman and chief executive of a listed issuer should be separate and should not be performed by the same individual. Mr. Li Ning, the Executive Chairman of the Company, assumed the role of interim chief executive officer ("CEO") of the Company during the period from 18 March 2015 to 1 September 2019 as the Company has not yet identified a suitable candidate to be the CEO. Upon the appointment of Mr. Kosaka Takeshi as an executive Director and the Joint CEO of the Company ("Joint CEO") with effect from 2 September 2019, Mr. Li Ning has been re-designated as the Joint CEO on the same date. Therefore, there was no separation of the roles of the chairman and the chief executive as both roles are undertaken by Mr. Li Ning during the six months ended 30 June 2020. Notwithstanding the above, the Board is of the view that given that Mr. Li Ning has been interim CEO of the Company for about five years prior to the appointment of the joint CEO and is familiar with the business operations and management of the Group, the assumption of the roles of Executive Chairman and Joint CEO by Mr. Li Ning will provide the Group with consistent and steady leadership, and is particularly beneficial to the planning and implementation of the Group's business strategies. The Board also believes that Mr. Li Ning and Mr. Kosaka Takeshi will complement with each other in performing the roles of the Joint CEOs, and the current arrangement will create synergy effect which is in the interest of the Company and its Shareholders as a whole.

## Other Information (Continued)

The Company has adopted the Model Code regarding securities transactions by the Directors. Following specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2020.

The audit committee of the Company, consisting of three independent non-executive Directors, has reviewed the accounting principles and practices adopted by the Group, and has also reviewed the auditing, risk management, internal control and financial reporting matters, including the review of the interim results for the six months ended 30 June 2020.

The Company's external auditor, PricewaterhouseCoopers, has performed a review of the Group's interim financial information for the six months ended 30 June 2020 in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Based on their review, PricewaterhouseCoopers confirmed that nothing has come to their attention that causes them to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

By order of the Board

**Li Ning**

*Executive Chairman and Joint CEO*

Hong Kong, 13 August 2020

# Information for Investors

## ***SHARE INFORMATION***

Listing: Main Board of the Hong Kong Stock Exchange on 28 June 2004

Stock code: 2331

Board lot: 500 Shares

No. of issued Shares as at 30 June 2020: 2,473,902,646 Shares

Market capitalization as at 30 June 2020: approximately HK\$60,858,005,092

## ***INTERIM DIVIDEND FOR 2020***

Nil

## ***FINANCIAL CALENDAR***

Announcement of 2020 interim results: 13 August 2020

Announcement of 2020 annual results: March 2021

## ***CORPORATE WEBSITES***

Li Ning Official Website: <http://www.lining.com>

Li Ning IR Website: <http://ir.lining.com>

## ***CONTACT FOR INVESTOR RELATIONS***

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# Glossary

In this interim report, unless the context states otherwise, the following expressions have the following meanings:

“2004 Share Option Scheme”	the share option scheme adopted by the Company on 5 June 2004, amended on 15 May 2009 and 11 October 2012 and terminated on 30 May 2014
“2013 Open Offer”	the open offer of convertible securities issued by the Company as set out in the listing document of the Company dated 27 March 2013
“2014 Share Option Scheme”	the share option scheme adopted by the Company on 30 May 2014
“2015 Open Offer”	the open offer of offer securities issued by the Company as set out in the listing document of the Company dated 9 January 2015
“2016 Restricted Share Award Scheme”	the restricted share award scheme adopted by the Company on 14 July 2016
“Articles of Association”	the articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company” or “Li Ning Company”	Li Ning Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“CS”	convertible securities issued under 2013 Open Offer or 2015 Open Offer
“CS Holder(s)”	holder(s) of CS
“Director(s)”	the director(s) of the Company
“Group” or “Li Ning Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## Glossary (Continued)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“PRC” or “China”	the People’s Republic of China
“Restricted Shares”	shares granted under the 2016 Restricted Share Award Scheme which are subject to restrictions and limitations
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.